

FINANCIAL TIMES

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World Business Newspaper <http://www.ft.com>

MONDAY SEPTEMBER 23 1996

Congress party set to name Rao's successor

Leaders of India's Congress party are expected tonight to appoint a successor to former prime minister P.V. Narasimha Rao, who quit as party president after a Delhi judge ordered him to answer swindling charges in court. Mr Rao's resignation could further splinter the party, which has been in disarray since its poll defeat in May, when it recorded its worst electoral performance. Page 18; Resignation hits Congress morale, Page 4

Opposition concedes in Greek poll: Greek opposition leader Mihalis Evert conceded defeat in yesterday's general election and said he would resign as leader of the conservative New Democracy party. The governing Panhellenic Socialist Movement is expected to achieve a narrow victory when final results are announced. Earlier story, Page 3

Anheuser pulls out of Budweiser talks: US brewing group Anheuser-Busch is pulling out of talks with the Czech government on securing a trademark agreement over rights to the Budweiser name in continental Europe. Page 18

Bass rivals look for concessions: Bass of the UK may have to make big concessions to gain regulatory approval for its acquisition of Carlsberg-Tetley, rival brewers and pub owners suggest. Page 20

Alcatel seeks to cut costs: French telecommunications and engineering group Alcatel Alsthom is launching a drive to cut working capital to help its debt reduction programme. Page 19

Agco seeks to spend \$1.5bn in Europe: US tractor maker Agco is willing to spend up to \$1.5bn over five years acquiring European makers of farm equipment. Page 19

Raytheon cuts workforces: US electronics and engineering group Raytheon blamed lower US defence procurement spending for an unexpected decision to cut further jobs. Page 6

Korean tensions grow: Tensions in the Korean peninsula in the wake of a North Korean submarine intrusion are creating problems for the US, which has tried to mediate between Seoul and Pyongyang. Page 4

Approval of MS drug set to lift Teva: Teva, Israel's largest pharmaceuticals company, expects annual sales to rise at least 30 per cent to more than \$960m following the decision by the US Food and Drug Administration to recommend approval of Copaxone, the company's multiple sclerosis drug. Page 21

Cash call for air traffic controller: Royal Bank of Canada will lead a syndicate of Canadian and foreign banks to raise Cdn\$1.15bn (US\$821.9bn) for a company, formed to take over Canada's extensive air traffic control system. Page 21

US moves on Third World loans: The Clinton administration told the International Monetary Fund that it might ask Congress to approve a \$300m payment towards the cost of putting the IMF's subsidised loan facility for poor countries on a permanent footing. Page 6

BASF to invest in Malaysia and India: German chemicals company BASF is to invest several billion D-Marks in giant chemical complexes in Malaysia and India. Page 21

Seat in the black: Seat, Volkswagen group's Spanish carmaker, moved into the black for the first time in five years with a Pta2.76bn (\$21.75m) net profit in the first eight months. Page 19

Villeneuve still in championship: Canadian Jacques Villeneuve kept alive hopes of the world drivers' championship when he won the Portuguese grand prix at Estoril ahead of Williams team mate Damon Hill of the UK. The championship will be decided at the Japanese grand prix on October 13. Hill needs just one point to win.

European Monetary System: The French franc's strong performance last week, after France's 1997 budget announcement, narrowed the gap against the other member currencies. But the French franc still remains the system's weakest currency. The Spanish peseta replaced the Irish punt as the strongest on the grid. Currencies, Page 25



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the gulden which move in a 2.25 per cent band.

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Yeltsin 'can work for only 15 minutes a day'

By John Lloyd in London and Christa Freeland in Moscow

Russian president Boris Yeltsin has suffered a stroke, and is unable to work for more than 15 minutes a day, according to insiders close to the presidential staff.

The latest information comes in addition to an indication by his heart specialist that Mr Yeltsin suffered a third heart attack in June. His doctors estimate that he has at best a 50-50 chance of surviving a heart bypass operation.

due to take place before the end of the month.

The latest information to emerge from the Kremlin is that the Russian leader suffered his double assault between the first and second rounds of the presidential election in the summer. Since then, he has been unable to work for more than very restricted periods and has not signed a single document since it occurred.

Instead, all decrees and orders purportedly authorised by the Russian leader have

been signed by Mr Anatoly Chubais, his chief of staff, with a rubber stamp of the president's signature.

The information is the first to suggest that Mr Yeltsin also suffered a stroke as well as a heart attack. That would help explain his extremely brief and wooden public appearances since the election.

The revelations were bolstered over the weekend when the president's heart surgeon told western television stations that Mr Yeltsin was probably too ill to undergo heart

surgery by the end of the month.

"The most likely decision is that the operation will be postponed," Dr Renat Akchurin, the cardiac surgeon expected to operate on Mr Yeltsin, told French television. "In effect, if the risks are high, no one will want to take the chance... A surgeon does not jump off an aeroplane without a parachute."

Yesterday evening Dr Akchurin told NTV, a Russian commercial television station, that the operation might be

postponed for up to two months.

He also warned that it would be difficult for the president to carry on without surgery. To survive without a heart bypass, Dr Akchurin said, Mr Yeltsin would be required to limit his activities severely, "and the president is unlikely to tolerate that".

Dr Akchurin also confirmed that Mr Yeltsin, who had two heart attacks last year, suffered a third heart attack in June or July, when the president suddenly vanished from

public view.

Although presidential doctors have been discussing the need for heart bypass surgery since last autumn, a source close to the president said surgery was ruled out ahead of the presidential ballot because of the danger that Mr Yeltsin might die. The condition of his major arteries and his liver is very poor, making the prospects for such surgery uncertain, the doctors admit.

Surgeon 'short of practice', Page 2

EU finance ministers reach agreement on blueprint for ERM2

Support for Emu stability pact plan

By Lionel Barber in Dublin

The process towards European monetary union took a big step forward at the weekend with agreement in principle on a stability pact to enforce budgetary discipline among future members of the single currency.

European Union finance ministers meeting in Dublin also agreed on a blueprint for a new European exchange rate mechanism, which would manage relations between currencies inside and outside the EU.

The informal deals, the precise details of which still have to be finalised, mean the EU is on course for agreement by the end of the year on the rules governing currency and budgetary discipline after the planned launch of the euro on January 1 1999.

The most important difference remains the circumstances in which a future stability pact would be enforced.

The ministers agreed that automatic sanctions would be used to ensure no Emu participant would allow prolonged budget deficits larger than 3 per cent of gross domestic product. They could not agree on "exceptional circumstances" which would allow temporary deviation.

The plans go a long way to

Many companies could be forced to consult their workers under plans to be unveiled in Brussels tomorrow. Companies with more than 50 employees would be legally bound to consult and inform their workers on group affairs. Details, Page 18

Bandwagon picks up pace at Dublin meeting, Page 8; Editorial Comment, Page 17

jecting German demands, in particular on the creation of a stability pact. The progress in Dublin should strengthen confidence in the financial markets that economic and monetary union is on track.

Mr Jacques Santer, president of the European Commission, said Emu was "irreversible". Mr Kenneth Clarke, UK chancellor of the exchequer, declared: "I get the feeling clearer and clearer that it [Emu] is going ahead."

Only three countries - Denmark, Ireland, and Luxembourg - meet all the Maastricht treaty targets on inflation, interest rates, budget deficits and debt. But Mr Santer said economic growth was picking up across the EU, boosting hopes that most countries could meet the toughest target, reducing public deficits to 3 per cent of GDP next year.



Ireland's finance minister Ruairi Quinn (left) and his wife greet European Commission president Jacques Santer at an Irish parliament reception in Dublin yesterday. Picture: Michael O'Connell/Reuters

The Dublin meeting reached a consensus on three areas:

- A new "hub and spokes" exchange rate mechanism with the euro at the centre. Currencies will be allowed to fluctuate by up to 15 per cent either way, but countries can choose to negotiate narrower bands. On UK insistence, membership of ERM2 will be voluntary.

Currencies under speculative attack can expect to be supported by the future European central bank. But the ECB has final discretion and its intervention will be linked informally to whether a country sticks to its earlier agreed macroeconomic targets. All parties, including the ECB, will have the right to initiate a currency realignment.

Ministers made less progress on the stability pact, but Mr Theo Waigel, German finance minister, said all countries had offered a strong political commitment to the idea of automatic sanctions.

Ministers agreed countries would face sanctions if they notched up a "deficit" higher than 3 per cent of GDP - unless they took immediate corrective action or faced temporary or exceptional circumstances. But ministers must define "exceptional".

The European Commission will present a regulation next month to guarantee legal certainty to businesses and investors expecting to use the euro. The move meets market demands for "legal" certainty that contracts drawn up in national currencies will still be respected after the Emu begins.

China tightens foreign currency shares bar

By James Harding in Beijing

China's stock exchanges have restored in full a ban on domestic investors buying foreign currency "B shares" in a move that will damage the fledgling markets for foreign investors in Shanghai and Shenzhen.

B shares are reserved for foreign buyers in Chinese-listed companies and are denominated in US dollars in Shanghai and Hong Kong dollars in Shenzhen. Local Chinese, although prohibited from buying B shares, are estimated to account for as much as half the trade in the stocks.

Analysts in Shanghai were dependent yesterday about the prospects for the B share markets. Even before the weekend announcement by the Shanghai stock exchange they were dogged by poor liquidity and had hovered recently at historic lows.

"Domestic investors have been an important factor in helping maintain at least a little liquidity in Shanghai and Shenzhen. Without them, the B share market will perform even worse and could be below record levels by the end of the week," an analyst for a leading Hong Kong brokerage firm said.

The B share market - dis-

Continued on Page 18

GTE lines up in bid battle for demerged arm of Stet

By Andrew Hill in Milan

Some 20 international telecoms and publishing groups are lining up to buy the Italian government's stake in Stet, the state-controlled telecommunications holding company.

GTE, the US telephone company, said yesterday it was among companies planning to make an aggressive bid for the 61 per cent stake in Stet, probably in partnership with Italian companies. Stet will be demerged from Stet at the end of this year.

About half of the 20 or so companies expressing an interest in the division are European.

Analysts believe the whole of Stet could be worth more than \$2bn. The demerged company will include the publishing activities, responsible for telephone directories, and printing and advertising subsidiaries.

Mr Olivier Vincent,

vice-president and general manager of GTE Directories Europe - one of the world's biggest publishers of telephone directories - said the company was looking to expand rapidly in Europe, where it already has interests in Belgium, Hungary and Austria.

"Stet is profitable, it has potential for future development, and it is well-managed. It is also big and we are looking for size at this stage," he said.

Since the Italian government formally invited expressions of interest, Lehman Brothers' Milan office, which is handling the Stet sale, has been contacted by telecoms operators, specialist directory publishers and printers from Europe, the US, Asia and Australia.

The demerger and sale of Stet was decided in August as part of a new strategy to reduce debt at Iri, the state holding company which owns a majority stake in Stet.

The government decided

Stet should spin off Stet and examine the feasibility of selling its stakes in Sirti and Italtel, respectively its contracting and equipment manufacturing operations, ahead of full privatisation of the core telecoms company by March next year.

Many of the potential international bidders are looking for partners and local advisers in Italy, in the hope of adding weight to their offer and allaying the fears of Stet's 2,000 employees that foreign owners might impose job cuts.

Potential bidders have until October 3 to express interest. Iri will then decide which companies should be admitted to the preliminary bidding process.

After the demerger, Iri will hold the majority stake in Stet and Stet shareholders will receive one new Stet share for every Stet share held. A bid for the whole Iri stake would probably trigger an automatic offer at the same price for the other shares.

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NEWS: EUROPE

Exclusiveness may not be good thing where Yeltsin's heart is concerned
Top surgeon 'short of practice'

By Chrystia Freeland
in Moscow

In the whirlwind of change which has swept through Russia since the collapse of communism, one Soviet tradition has remained firmly in place. Like their political predecessors, Russia's current rulers are cared for by a special network of Kremlin hospitals reserved for the nation's elite.

At one of these privileged oases, the clumsily-named Russian Scientific-Industrial Cardiological Centre, President Boris Yeltsin will undergo heart surgery later this month - if his doctors judge him well enough to survive the strain.

But some Russian and western doctors have warned that the privileged system within which the surgeons work could actually be detrimental to the country's most important heart. They warn that the very exclusiveness of the Kremlin network could, where hearts are concerned, be a bad thing.

The director of the cardiological centre is Dr Yevgeny Chazov, who, as head of the 4th Directorate, the Soviet

term for the Communist leadership's exclusive medical services, ministered to the USSR's last general secretary, Mr Mikhail Gorbachev.

Dr Renat Akhchurin, the centre's top heart surgeon and the man who has been tipped to wield the scalpel over the presidential heart, is known in medical circles as the "nomenklatura doctor". He has operated on Mr Victor Chernomyrdin, the premier, and Mr Oleg Lobov, a deputy prime minister and close friend to Mr Yeltsin.

A former student of Dr Michael De Bakey, the American pioneer of heart surgery who has been summoned this week to Moscow for consultations, Dr Akhchurin commands wide international respect.

But, as one western surgeon familiar with Russia explained, heart surgery is a delicate skill which requires constant practice and training to ensure that the surgeon's hands are always as deft as possible.

Western heart specialists perform several operations a day, their Russian colleagues at ordinary hospitals



Renat Akhchurin at his Moscow office last week: he commands wide international respect

do surgery about once a day. But in the Kremlin network, where only very important hearts qualify, the top surgeons operate less often, perhaps once or twice a week. Dr Akhchurin told Russian

television yesterday he performed about 100 operations a year.

The result, in the view of some Moscow doctors, is that the heart surgeons to the elite are not as practised

as those who work on *hot polio*.

"It is a strange thing - it is considered the best because it is our court hospital. But their skills are far from the best," a cardiac surgeon at one of Moscow's top hospitals said of the Russian Scientific-Industrial Cardiological Centre.

But other leading figures in Russia's tense medical fraternity offer a more tactful opinion of the special surgeons.

"They have recommended themselves beautifully. Think of what old leaders we had in the Soviet Union and how long they kept them going," said Dr Leo Bokeria, one of Russia's most respected heart surgeons.

Yet Dr Bokeria, another De Bakey alumnus, also concedes that reviving Mr Yeltsin's heart is one privilege few Russian surgeons are eager to be granted.

"I think our surgeons are afraid. Operating on the heart in certain circumstances can be very dangerous and to be left with that your whole life would be very difficult," Dr Bokeria said.

Moscow tries to stem far north food crisis

By Chrystia Freeland

The Russian cabinet convened an urgent meeting at the weekend to discuss the shortage of food and fuel in Russia's hostile far north.

The high-level gathering was a sign of the government's fear that the often unpaid residents of the regions, where severe Arctic winter is already closing in, might join the striking power workers of the far east in a wave of protests that could jeopardise the country's newly won financial stability.

The entire town of Vorkuta, a coal-mining settlement inside the Arctic circle, declared its intention at the weekend to support a national coal strike called for October 1. Only essential services will not be shut down. The Vorkuta miners, whose incomes are the life blood of the city, have not been paid since May.

Ministers said at the cabinet meeting that the far north needed Rb2,000bn (\$371m) worth of energy and food to survive the winter. However, officials said there

was no money in this year's tough budget, which has won praise from the International Monetary Fund, to pay for what Russians call "the northern shipment".

Despite this, Mr Victor Chernomyrdin, the premier, told ministers: "We cannot allow people in the northern regions to spend the winter without fuel, food and necessary consumer goods".

The struggle to prevent social disaster in the far north without breaking the budget is the beginning of what could be the Kremlin's biggest political and economic challenge this autumn. The government has cut the inflation rate to its lowest levels since the beginning of market reforms and stabilised the rouble, creating what many analysts believe are the preconditions for an economic boom.

In addition, the government has accomplished this turnaround in an election year, when President Boris Yeltsin allowed tax revenues to plummet and made extravagant promises for future spending in a successful attempt to defeat his

communist challenger.

But now, as winter approaches, the social costs are becoming apparent as workers across the country demand payment of their wage arrears. Russia's far east is already suffering this year's second power blackout. Power workers, who claim they have not been paid since April, went on strike last week, cutting electricity supplies to towns and cities on the Pacific coast to less than 12 hours a day.

The mounting social unrest - a seasonal event in Russia since the beginning of market reforms - has started to revive the country's defeated Communists.

Mr Gennady Zyuganov, the Communist leader who failed in his July bid for the presidency, issued a fire-breathing statement over the weekend which warned: "All across the country, plants and factories are at a standstill, crops remain unharvested, food and fuel are not delivered to Arctic areas... All the government's showy promises remain hollow."

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Italy gripped by second bout of corruption fever

Italians are already calling it Tangentopoli 2. A new round of VIP arrests, leaks of confidential evidence, and allegations of high-level bribery and corruption are rocking Italy's political and economic establishment, less than five years since the launch of the first wide-ranging corruption investigation, nicknamed Tangentopoli, or Bribesville.

Just over a week ago, Mr Lorenzo Necci, chief executive of Italy's state railway company, was arrested at his seaside retreat in connection with an investigation organised by prosecutors at the Ligurian port of La Spezia. The allegations include corruption, fraud, embezzlement, falsification of accounts, abuse of office and crimes against the public administration.

Mr Necci is one of Italy's best known state-sector managers, while Ferrovie dello Stato, the railway company, is the country's

Andrew Hill explains background to latest round of arrests and allegations

largest public sector employer. His political contacts have several times put him in line for government office, most recently early this year when Mr Antonio Maccanico, now telecoms minister, tried unsuccessfully to form an interim government.

Mr Necci was questioned three years ago as a former chairman of Enimont, the ill-fated chemicals joint venture which was at the centre of Tangentopoli 1, but he was never arrested, let alone indicted. Mr Eugenio Scalfari, veteran Italian journalist, described him last week as "a salamander who emerged unscathed from the judicial fire" of the Enimont bribes inquiry.

What has particularly shocked Italians, however, is that La Spezia magistrates have also taken into custody another group of peo-

ple whose names were familiar from previous scandals. They included Mr Francesco Pacini Battaglia, an Italo-Swiss financier, who was questioned three years ago over illegal financing of political parties, but never arrested, and Mr Eno Danesi, a former Christian Democrat deputy who resigned in 1981 when he was named as a member of the rogue masonic lodge, P2.

Italy's first round of corruption investigations in Milan in 1992 uncovered widespread bribery linking the old political class with some of the country's largest companies.

Nobody seriously thought that it had wiped out corruption. Mr Antonio Di Pietro, best known of the Milan anti-corruption team and now a minister in the centre-left government, claims the

"Clean Hands" investigation touched only 5 per cent of all fraud.

But until last week many Italians believed the first wave of arrests and trials had at least stripped away the upper layer of corrupt political power and sent a strong warning to politicians, financiers and entrepreneurs not to mix in the wrong circles.

News of last week's arrests arrived in the middle of an agonised debate between judiciary and government over whether to introduce some form of amnesty for people caught up in the original Tangentopoli investigation.

The opening of the La Spezia investigation has entirely changed the terms of the amnesty debate. In particular, the publication of transcripts of Mr Pacini Battaglia's telephone calls and conversa-

tions seemed to place him at the centre of a powerful lobby which was operating at the margins of political and economic power as recently as February this year.

What originally seemed to be a straightforward investigation into contracts and deals involving the Ferrovie dello Stato has also now broadened to include the defence sector. Another prominent state-sector manager, Mr Pier Francesco Guarnaglini, chief executive of Oto Melara, the arms manufacturer based in La Spezia, was arrested two days after Mr Necci.

Italian newspapers at the weekend claimed the La Spezia investigators were examining a separate strand of allegations involving the arms trade with Middle East and east European countries.

All those arrested have protested their innocence. Employees

of the state railway have been partly reassured by the fact that Mr Necci has not resigned as chief executive, although his powers have been assumed by the chairman and directors. The government has said it will guarantee the railway infrastructure projects, most notably the ambitious project to link Italian cities to the European high-speed train network, which Mr Necci has championed.

Meanwhile Italians' appetite for a good conspiracy theory has again been fuelled by magistrates, who at first claimed that the investigation would be characterised by "absolute secrecy". In fact, transcripts of the telephone calls - the basis for the arrest warrants - began to appear in the press almost immediately, and the prosecutors in charge of the investigation fomented speculation by hinting that prominent political figures were also involved.

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مكتبة الامير

NEWS: EUROPE

o stem crisis

EU unions to push 800 companies for councils

By Robert Taylor, Employment Editor

European trade union leaders plan to target more than 800 multinational companies and demand they set up consultative works councils for employees under the European Union law that came into force this weekend in 17 EU and European Economic Area countries.

An estimated 20 per cent of the multinational companies covered by the legislation have already negotiated voluntarily with trade unions to create such an information and consultation body at the corporate level of their business. From today employers will be compelled by law to create a works council if asked to do so by their workers.

Estimates by both the Warwick University Business School in the UK and the EU-funded European Foundation for the Improvement of Living and Working Conditions suggest that over 200 out of an estimated 1,152 companies covered may have negotiated agreements with their employees or trade unions. The EU legislation requires every company (including those which are US- and Japanese-owned) which employs more than 1,000 workers in the 17 countries, with over 150 in at least two member states, to establish an employee consultation and information committee.

The largest number of European works councils so far negotiated have been in Germany (27 per cent of them, more than 41) followed by France (22 per cent of over 28). But 14 per cent of agreements are with UK companies, despite the UK's opt-out from the social chapter of the Maastricht treaty which does not require those companies to create works councils to include their UK workers. Only one agreement - the Dutch-owned banking and insurance group ING - explicitly excludes its British workers from its works council.

The European Foundation survey found a third of all works council agreements included countries outside the area covered by the law, such as Switzerland, the Czech Republic, Hungary and Poland.

As many as 35 per cent of the existing agreements (61) are in the metalworking sector, followed by 25.4 per cent in chemicals (44) and 14.5 per cent in food, hotels and catering (28), according to the Warwick report, compiled by Mr Mark Hall from its industrial relations research unit. By contrast, only one retail company has negotiated a European works council, and there is one in telecommunications. A study of 111 voluntary European works councils published today by the European Foundation found at least one in four French companies and one in six of UK companies had signed such an agreement voluntarily.

It also said that although trade unions were not specifically mentioned in the directive they had been "heavily involved" in their creation, with 55 per cent of agreements signed by a trade union organisation. The survey suggests only about 15 per cent of works councils have been created without trade union influence.

The study has also found full-time trade union officials are directly taking part in half of the works councils so far created, and more will participate as so-called experts in an advisory role on the new bodies. Two thirds of all the negotiated councils provide for trade unions to nominate employee representatives in all or some of the European countries covered.

Three-quarters of the works councils are joint management-employee bodies and 80 per cent cover all the operations of the multinational, with the rest providing for divisional-level structures. Their average size is 25 on the workers' side, with size ranging between seven and 70. Around half have smaller select committees created to prepare for the council meetings which 90 per cent of companies hold once a year.

In 84 per cent of agreements, worker representatives are allowed to meet without the company management being present. Over half provide for a report back to the workforce as a whole in the operation of the works councils.

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
Membership of Exchange Rate Mechanism.	Creation of European Monetary Institute. Stricter monitoring of countries' economies and deficits.	Inter-Governmental Conference to review Maastricht Treaty. European Commission finds EMU to report on which countries have met Maastricht Treaty convergence targets.	EMU can begin but only if government heads say most countries have met Maastricht criteria.	Latest data for British general election.	Likely conclusion of the ECU.	Decision on which countries have met EMU criteria. No majority needed.	Creation of central bank running single monetary policy. Irrevocable fixing of exchange rates and fixing of parities.	French parliamentary elections.	German national elections.	Treaty date for launch of single currency.	Tentative timetable for introduction of new euro coins.	

Emu bandwagon gathers speed in Dublin

Europe's march toward a single currency has moved into higher gear. The sense of shifting tempo was palpable at the end of this weekend's meeting of EU finance ministers and central bankers in Dublin.

Mr Kenneth Clarke, UK chancellor, captured the mood of optimism on Saturday night: "I get the feeling more and more clearly that it [economic and monetary union] is going ahead."

Exactly a year ago, Mr Clarke read the chances of Emu happening around the turn of the century at 80-90. His latest assessment reflects steady ministerial progress toward a blueprint for the launch of the single currency - the euro - on schedule on January 1 1999.

Thanks to crisp chairmanship by the Irish presidency, the negotiations produced near-agreement on a reformed Exchange Rate Mechanism to manage currency stability between countries inside the future euro area and those outside. In addition, ministers narrowed differences over the terms of a Stability Pact to enforce budgetary discipline among countries who join the single currency.

Thus, the Irish plan to strike a comprehensive deal at the EU summit in December in Dublin looks on track. But however impressive these technical preparations, the political implications of Emu are as unclear as ever. The fear that Emu could divide the EU between a rich northern core, dominated by Germany, and a poorer southern group was ever-present in Dublin. Divisions between France and Germany are also in the air.

In a joint article in Friday's International Herald Tribune, Mr Theo Waigel, German finance minister, and Mr Jean Arthuis, French finance minister, said: "We are more than ever convinced that European monetary union will become a great success, and we have common views on all the important issues that remain to be resolved beforehand."

The declaration buried reports of German complaints about creative accounting in the French draft budget for 1997 which allowed Paris to hit the Maastricht treaty public deficit target of 3 per cent of GDP. But this feat was achieved only through a one-off payment of FF37bn (\$7.8bn) from France to Germany to the government covering future pensions liabilities. German officials could not hide their distaste for the manoeuvre.

Fact, but the thrust of its diplomacy is geared toward assuring currency stability between the Emu core and those who may initially remain outside, notably such large trading partners as Britain, Italy and Spain - hence French disappointment over Mr Clarke's victory earlier this year when he secured agreement that ERM membership would be voluntary.

The other big French concern is public opinion. The franc fort policy is once again under attack. Gaullists such as Mr Philippe Séguin and Mr Charles Pasqua share the concerns of Socialists such as Mr Laurent Fabius about Maastricht's deflationary bias. Le Monde summed up the mood last Friday: "How can France be assured in the [Emu] negotiations that the European economy will not be stifled by the German obsession with stability?"

These pressures for more political influence over the European Central Bank prompted Mr Arthuis

to float the idea of a "Stability Council" comprising countries who join the single currency. Mr Arthuis approached Mr Clarke in Dublin on Friday night, but received a polite rebuff. When he raised the idea on Saturday afternoon, he met an even cooler reception. Several delegations wondered if the French idea amounted to a ruse to create an elite caucus within the Union which would sideline the European Commission.

In the end, France and Germany will have to cut a deal on the Stability Council. The outcome will reveal whether it amounts to a first building block in what Mr Jacques Delors, former president of the European Commission, called the "economic government of Europe", or whether it is a fig-leaf for France as it accepts German terms for a new model Bundesbank. The hard bargaining has only just begun.

France supports the Stability

Lionel Barber

fever

EUROPEAN NEWS DIGEST

Pasok ahead in Greek poll

Exit polls last night indicated that Greece's governing Panhellenic Socialist Movement was heading for a narrow but decisive victory in yesterday's general election. They gave Pasok about 42 per cent of the vote against just under 40 per cent for the conservative New Democracy party.

Analysts said a difference of two points would give the Socialists an overall majority of about 10 seats in the 300-member parliament.

The exit polls also showed that two small leftwing parties, the Communists, still fervently Stalinist, and the ex-communist Synaspismos, were ahead of other fringe parties, with about 5 per cent of the vote each. They were trailed by the Democratic Renewal Movement, founded by hardline Socialist rebels earlier this year, and the centre-right Political Spring, each with just over 3 per cent of the vote.

Mr Costas Laliotis, minister of public works, claimed that Pasok would win the election by at least three percentage points. *Kerfi Hope, Athens*

Belgian corruption allegation

The chairman of the Belgian police union said yesterday he had proof of widespread class-based justice and corruption in which investigations concerning senior government figures are quickly dismissed.

Mr Jhuul Van Keer threatened to make public certain judicial dossiers about important people that were allegedly classified following outside interference. He refused to give more details.

The leader of the opposition, Mr Herman De Croo, said Mr Van Keer had "set off a bomb" which could only further undermine public confidence in Belgium's justice system, already under pressure after a series of bungled investigations and unsolved crimes.

"You would be amazed if you see whose cases are classified without further action," Mr Van Keer told BRTN television. He refused to make his charges more specific but such allegations by a leading state police official can only fuel rumours that recent unsolved crimes are linked to a concerted cover-up. *AP, Brussels*

Pope completes French tour

In the face of doubts about his health and authority, Pope John Paul yesterday wrapped up a demanding four-day tour of France that drew huge crowds of faithful pilgrims to France that drew huge crowds of faithful pilgrims and small protests.

The pope appeared to tire toward the end of the day but revelers who spent time with him said his spirit kept him going and he talked openly of his mortality.

John Paul "speaks freely, and with a smile, of his death. There is no fear of the void," Paris Cardinal Jean-Marie Lustiger said. *AP, Reims*

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NEWS: INTERNATIONAL

Rao resignation hits Congress morale

Mr P.V. Narasimha Rao's ignominious resignation as president of India's Congress party...



P.V. Narasimha Rao: ordered to answer cheating charges

On the eve of India's 50th anniversary of independence, the party which embodied the nationalist struggle against the British Raj...

The UP "from outside", leaving the coalition vulnerable to a withdrawal of Congress support...

prime minister. The Central Bureau of Investigation, the chief criminal agency, is also examining charges implicating Mr Rao in a forgery case...

tion programme. Seven former Congress ministers and a dozen Congress MPs have also been charged with receiving bribes from a Delhi-based businessman...

May to a low of 28 per cent. The achievement of the Rao era was the radical economic reforms he and Mr Manmohan Singh, finance minister, introduced after Congress won the 1991 elections...

Opinions differ sharply as to whether Congress's decline is irreversible. Some analysts read into the recent elections signs of terminal disintegration...

Mark Nicholson

Taiwan protest over islands

Thousands of protesters held a rally in Taipei yesterday over the disputed Diaoyu islands (called the Senkaku by Japan)...

Indonesian bank for bourse

Bank Negara Indonesia (BNI), Indonesia's largest bank, plans to list a quarter of its paid up capital on domestic exchanges...

Record vote in Macao

Voters turned out in record numbers in the Portuguese enclave of Macao yesterday in the last legislative election under Lisbon's rule before Macao returns to China in 1999...

Turkish pledge to Israel

Relations between Israel and Turkey will continue to be strengthened and all recent military training and defence agreements will be honoured...

Farm poor 'falling behind'

Agricultural wage workers are the poorest workers on earth and in many countries their real wages are falling despite rising agricultural trade and labour productivity...

Egypt relents on summit

Egypt has confirmed that Cairo will host the Middle East and North Africa economic summit on time on November 12-14, despite the current impasse in the Middle East peace process...

Drugs found in Samper jet

An anonymous telephone tip-off to Colombian air force intelligence led to the discovery of 3.7kg of heroin aboard President Ernesto Samper's Boeing 707 at Bogotá's military airport...

Thai coalition searches for a new leader US caught in the middle of Korea's submarine row

By Ted Bardacke in Bangkok

Relief brought by the promised resignation of the Thai premier, Mr Banharn Silpa-archa, faded at the weekend, as the country's six governing parties started more backroom deal-making...

Members of Mr Banharn's Chart Thai party say the premier was just minutes away from dissolving the house on Saturday and calling a new election...

Mr Banharn's coalition partners got themselves into this predicament on Saturday when they deflected the confidence motion against the embattled prime minister...

when his party holds only 18 seats.

In either case, the new prime minister will have to hand over the ministries of finance, commerce and industry - as well as the power to run them independently of special interests...

For example, though Gen Chavalit is not popular with the political elite in Bangkok and mistrusted by many in the private sector because of his penchant for business deals that lack transparency...

On the other hand, Mr Banharn's departure has given Thai Democrats new hope that tactics of public pressure without taking to the streets can oust an unpopular government...

By John Burton in Seoul

Escalating tensions on the Korean peninsula in the wake of a North Korean submarine intrusion are creating awkward problems for the US, which has tried to mediate between Seoul and Pyongyang...

South Korea appears intent on using the incident to isolate North Korea diplomatically, including persuading other countries not to give food aid to the north's hungry population...



The North Korean submarine is towed yesterday by a South Korean naval vessel to Tonghae port

Relations between the two Koreas were already icy before a North Korean submarine ran aground in South Korean waters on Wednesday, forcing its crew of 26 soldiers and sailors to flee ashore...

The US has tried to develop closer ties with North Korea since the two countries signed a nuclear agreement in 1994 under which Pyongyang promised to abandon its suspected nuclear weapons programme...

South Korean officials have portrayed the submarine incident as an attempt by North Korea to land "guerrillas" for a possible sabotage or assassination mission.

Officials in Seoul believe such a hardline policy would force North Korea to accept a recent proposal by the US and South Korea to hold four-party peace talks which would also include China.

This is in contrast to a more conciliatory approach favoured by Washington to persuade North Korea to come to the negotiating table.

South Korea's efforts to press the US to condemn North Korea for the submarine incursion, including support for a United Nations Security Council resolution, is likely to disrupt ties between the US and North Korea.

By Farhan Bokhari in Larkana, Sindh

The violent killing of Mr Murtaza Bhutto, brother of Pakistan's prime minister, Ms Benazir Bhutto, has brought into the open a latent split between followers of the two Bhutto siblings...

Mr Bhutto was shot dead along with six of his supporters by police in a gun battle near his home in Karachi on Friday. His supporters deny police claims that Mr Bhutto triggered the encounter when his private security guards fired first at a police contingent.

Mr Asif Ali Zardari, investment minister, and his wife, Ms Bhutto, have come under fresh attacks from Mr Bhutto's supporters, who accuse them of waging a "campaign of state terrorism" against Mr Bhutto.

Mr Bhutto was quoted as saying on Saturday: "If I am guaranteed justice I will register a (police) case against Asif Ali Zardari and Benazir Bhutto for killing my son."

The killing has also sparked widespread fear of possible unrest in Sindh, the Bhutto family's traditional political stronghold and a hotbed of nationalism.

Mr Bhutto's followers yesterday blocked the roads leading to his home, known as "Al-Murtaza", forcing Mr Farooq Leghari, the Pakistani president, to turn back on a planned condolence call upon Mrs Nusrat Bhutto, the prime minister's mother, and Mrs Ghinwa Bhutto, the widow of Mr Murtaza Bhutto.

The prime minister also cancelled plans to visit Al-

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NEWS: INTERNATIONAL

US move on soft loans for Third World

By Robert Chote, Economics Editor, in Washington

The Clinton administration has told the International Monetary Fund that it might ask Congress to approve a \$300m payment towards the cost of putting the IMF's subsidised loan facility for poor countries on a permanent footing.

The US will do this only if other countries agree to sell and reinvest at least \$2bn of the IMF's \$40bn gold reserves to provide further finance for debt relief. In the face of continued opposition

from Germany, Switzerland and Italy, the IMF board agreed last Wednesday to put off a decision on gold sales until it was clear that a consensus could be reached.

Mr Michel Camdessus, the IMF's managing director, said after the meeting that "understandings" had nonetheless been reached which would allow the Fund to make its Enhanced Structural Adjustment Facility (ESAF) permanent and also to participate in its joint poor country debt initiative with the World Bank.

The ESAF allows countries with per capita incomes of

less than \$865 a year to borrow at an interest rate of just 0.5 per cent over extended periods, provided that they pursue market-oriented economic reforms. The IMF contribution to its joint initiative with the World Bank would be to further extend the maturity of these loans or to offer grants to help countries service or repay them.

It was agreed at Wednesday's meeting that the IMF should find the \$500m or so it needs to participate in the joint initiative by drawing on resources in the ESAF reserve account. This

account provides security to those countries which finance ESAF loans by ensuring that the principal and interest payments due are met even when borrowing countries cannot find the money themselves.

The repayment of existing loans means that ESAF will have sufficient resources to become self-financing from 2005, but this leaves a five-year "funding gap" which must be bridged before the reflows are sufficient. IMF management has proposed that half the money needed could come from the proceeds of gold sales and half

from bilateral contributions from governments.

The Clinton administration's tentative and conditional offer of \$300m would in effect mean that the US might hand over money that it holds in the Fund's rarely used "special contingent account 2", which provides resources for periods when countries are coming out of arrears to the Fund. The US is the largest depositor in SCA-2 with about 20 per cent of the money in the account. Some other countries have also indicated that they would be prepared to hand over the money they

hold in this account too.

Opponents of gold sales said it was safe to put off the decision on Wednesday because the ESAF funding gap would not arise for some time. But officials said it was not clear when exactly a decision would need to be taken. Some officials said that gold sales would not have received the 85 per cent support in the board on Wednesday that they needed for approval. Others said that gold sales might have won the day if they had been put to a vote, but that it was not worth creating an open split over the issue.

Clinton blamed for Raytheon's 600 job cuts

By Christopher Parise in Los Angeles

Raytheon, a leading US electronics and engineering group, has blamed the White House for an unexpected decision to cut a further 600 jobs from its defence manufacturing workforce.

"We are not downsizing, we are being downsized," Mr William Swanson, general manager of Raytheon Electronic Systems, said at the weekend. Defence manufacturing continued to face severe challenges, he added.

Mr Swanson blamed the cuts on a 60 per cent cut in defence procurement spending since 1990 and a proposal from President Bill Clinton to cut an extra 14 per cent off the latest budget already approved by Congress.

Coming as the presidential election campaign approaches a critical phase, the jobs announcement and the unusual if indirect attack on the president, may rouse fears of a renewed wave of job losses in the defence industry at large.

News of the cuts, which came shortly after the company celebrated winning a \$1bn federal contract to upgrade air traffic control systems at US airports, overshadowed Raytheon's announcement that it is a third of the way through a programme to hire about 600 research engineers and technicians this year.

Defence accounts for about 20 per cent of the group's \$1.2bn annual revenues.

Raytheon's decision to make further cuts is the first big retrenchment by a defence contractor in many months. Although no significant hirings have been announced, recent studies agree the fall has stopped.

In California, home state to about 25 per cent of US defence industries, employment in aerospace has fallen from 370,000 to 160,000 in the past 10 years. According to forecasts from the University of California, Los Angeles, the state's aerospace workforce will expand slowly to about 180,000 a decade from now.

US ponders its attitude towards Saddam

A strategic cat and mouse game is still being played, reports Roula Khalaf

The cat and mouse game Washington seems reduced to playing with Iraq president Saddam Hussein five years after the Gulf war has frustrated many US allies and provided ammunition for US President Bill Clinton's domestic critics.

Three weeks after Mr Saddam's incursion into the Kurdish north, reports emerged yesterday suggesting that Turkey, a key US ally, is not opposed to Baghdad's reassertion of its influence in the north.

But the dilemma the US faces is that while many policymakers and political analysts spend their days figuring out more effective ways of dealing with the "Saddam phenomenon", alternative policies circulating in academic and policy circles carry as many risks and disadvantages as the current policy of "boxing" Mr Saddam.



Necmettin Erbakan, Turkish premier, favours better ties with Islamic neighbours

of opinion, gaining ground especially in Arab circles, (although not in official Kuwait or Saudi circles) is urging just the opposite. As Mr Saddam appears firmly in control despite all the pressures to weaken and get rid of him, some are calling for a policy of co-existence, which would translate into a de-escalation of the military tension and attempts to reach a compromise through diplomatic channels.

This alternative would begin with the implementation of the oil-for-food deal

agreed with the United Nations in May and put on hold this month. Oil-for-food, allowing for limited oil sales to buy humanitarian goods, would act as a first step towards a full lifting of sanctions on oil sales.

The attractiveness of the policy is that it may allow an Iraqi middle class to re-emerge and perhaps become an engine for change in the regime. However, Mr Ibrahim Karawan, senior fellow for Middle East security at London's International Institute for Strategic Studies,

says this option is politically unacceptable to the US as it would also bolster Mr Saddam's expansionism.

Mr Graham Fuller, senior political scientist at the Rand Corporation, advocates a dual approach to dealing with Baghdad, which combines a tougher military line with a more liberal sanctions policy. As Iraqis have paid enough for a policy which has not altered their leader's behaviour, he suggests lifting sanctions except on military sales but declaring a "no-fly" and "no-drive"

zone all over the country with the pledge that any movement of tanks or air power would be immediately eliminated.

The disadvantage, however, is that the military side of the strategy will have to be maintained indefinitely, an option which is not economically feasible with Gulf states increasingly reluctant to foot the bill. Nor would these states, except Kuwait, accept an increased and permanent US military presence which can only play into the hands of Islamist opposition movements.

Another idea circulating in US academic circles calls for rethinking the policy of dual containment by attempting to rebuild ties with Iran, as a way of stepping up pressure on Baghdad.

Analysts argue that dual containment was designed in a regional context which assumed Turkey was an unequivocal supporter of US policy towards Iraq and Iran but that it has been undermined by the divergence of views in Turkey between the new Islamist prime minister, Mr Necmettin Erbakan, who favours better relations with Islamic neighbours and the pro-western military establishment. Moreover, Turkey's policy towards Iraq is driven by concern over

Turkish Kurdish separatist guerrillas who operate from bases in northern Iraq.

"There is a whole body of opinion which says that to make sure Iran and Iraq do not become allies, you should treat them differently," says Mr William Quandt, professor of government and foreign affairs at the University of Virginia.

The argument is based on the assumption that while Iran may be the US's greater perceived ideological and political threat, given its assumed support for terrorism and for Shia groups in other Arab states, Iraq is the more serious military threat.

Such a strategy would be welcomed by western allies who have long engaged in "critical dialogue" with Tehran. However, US policy today is moving in the exact opposite direction, with US officials arguing that Europe's "critical dialogue" has had little effect on Tehran's behaviour.

President Clinton decided last year to impose a trade and investment embargo against Iran. Last month, the president tightened the noose by signing into law legislation allowing him to impose sanctions on non-US companies making new investments of more than \$40m in the Iranian energy sector.

Radio sell-off raises \$116m

South Africa's government has completed the first tranche of its privatisation programme with the sale of six state-owned radio stations, Mark Ashurst writes from Cape Town.

The process has raised R550m (\$116m) and bolstered ministers' hopes of securing trade unions' co-operation with its privatisation policy. But rival claims on the proceeds have highlighted the scope for disputes when equity stakes in more valuable state assets are sold next year.

Mr Jay Naidoo, minister of telecommunications and broadcasting, says the revenue will go to government coffers. "These assets belong to the state. The proceeds will be spent on reducing state debt, new infrastructure or black economic empowerment," he said in an interview.

But the SABC, which expects the sale of the stations to cut about R90m from its annual earnings, wants the money to fund its transformation to a public service broadcaster.

Trade unions have been co-opted into the radio privatisation as partners in consortiums which have bid for the six provincial radio stations. Their support for more ambitious privatisations will hinge on job security and the extent to which private capital is used to expand state-controlled companies.

NEWS: UK

CBI opposes Labour's reform plan

By David Wighton, Political Correspondent

The campaign by Labour, the main opposition party, to win business backing for its key economic policies will suffer a setback this week following the emergence of opposition to its plans to combat "short-termism" in the City with a two-tier capital gains tax.

The Confederation of British Industry, which previ-

ously has supported Labour's proposals for a two-tier approach, is set to distance itself from the idea while the National Association of Pension Funds will dismiss it as unworkable and potentially damaging to the City's international competitiveness.

The plan would introduce a lower rate of capital gains tax for assets held for longer than a set period.

The CBI's move will be

particularly awkward for Labour, which sees two-tier capital gains tax as a key to encouraging long-term investment and likes to present it as a CBI proposal. Mr Tony Blair, the Labour leader, singled out the idea and CBI support for it in a speech last week.

A senior Labour official yesterday said the party was still "attracted" to the plan but was not yet committed and would listen to arguments against it. If Labour were to drop the idea it would be left with few concrete proposals for tackling what it sees as a central weakness in the economy.

Critics of the plan claim it would be unlikely to have any impact on the supposed short-termism of institutional investors. In a paper to be published next week, the National Association of Pension Funds will argue that investment banks

would merely devise new ways of using derivatives to avoid the higher rate.

But the NAFF's main unspoken concern is that the policy would make little sense unless it was applied to pension funds, which currently do not pay capital gains tax.

The CBI's change of heart follows the departure of Mr Howard Davies, its former director-general, who was an advocate of the idea.

Farming loses out to golf courses

By Richard Donkin

The rustic image of a productive rural Britain perpetuated on chocolate box lids is an economic myth in the 1990s, according to a report by the London School of Economics.

The farmer has become marginalised economically compared with the golf course and leisure park owner, according to the study which claims to be the first piece of research attempting to assess the economic value of the British countryside.

While farming itself has a comparatively minor role as a source of employment and wealth, the rural areas of the UK contributed nearly £142bn (\$221bn) to the economy, 30 per cent of UK gross domestic product in 1991, the base year for the study, chosen because it was the year of the national census.

Much of this contribution came from manufacturing, services and leisure, which dominate rural economies leaving agriculture, forestry and fishing as the poor relations, contributing just 5 per cent to rural GDP and 2 per cent overall, the study says.

Even in remote rural areas, agriculture was found to contribute no more than 7 per cent towards the economy, said the report, compiled by Prof Derek Diamond and Mr Ray Richardson of the LSE for the Countryside Business Group, a lobbying and fund raising organisation which promotes field sports in the UK.

The report says just under 20m people live in rural areas, which account for about 6.5m jobs, 30 per cent of all UK employment. The researchers said that one of the biggest difficulties in undertaking the study was arriving at a definition for the countryside.

The *Economic Significance of the British Countryside*, by Prof D R Diamond and Dr R G Richardson, is published by The Countryside Business Group, PO Box 422, London EC4V 4EP, price £25.

UK NEWS DIGEST

'Bias against private sector'

Contractors have lost confidence in dealing with up to 50 per cent of English and Welsh councils because of suspected bias against the private sector, the Nolan committee on standards in public life will be told today.

The Business Services Association, which represents large companies in sectors such as cleaning and catering, says some companies now operate their own informal lists of councils where they will not submit tenders for business. Others scrutinised authorities' past records closely when invitations to tender were issued before deciding whether it was worth submitting bids.

Lord Nolan's committee is embarking on an examination of local government which will include studying aspects of tendering. Although the Department of the Environment is currently trying to strengthen the rules, there is evidence of growing private sector disillusion with the tendering process.

Alan Pike

BOOK RETAILING

US-style superstore planned

Waterstone's, the chain of bookshops owned by the W.H. Smith retail group, is finalising plans to open the UK's first US-style book superstore in Glasgow, Scotland. Mr Alan Giles, managing director, said the new store, due to open next spring, would be "completely different" to the company's existing shops and represented an opportunity to "redefine Waterstone's for the late 1990s". A team of Waterstone's branch managers has been sent on a whistle-stop tour of world bookshops to help them develop a blueprint for the site.

Alice Rowsthorn

TELEPHONE BANKING

Users 'rise by 125,000 a month'

Telephone banking is winning 125,000 new users in the UK every month and Datamonitor, the market research and management consultancy, has forecast that telephone banking could be serving 30 per cent of the population by 2000. More than 3m people are already using specialised telephone banking regularly for more than half of their banking transactions, other than cash withdrawals, according to research published in Datamonitor's regular survey of retail banking distribution.

George Graham

BARINGS

Writ issued against FT

Mr Ron Baker, former head of derivatives trading at the merchant bank Barings, has issued a writ for libel against the Financial Times and two of its reporters, John Gapper and Nicholas Denton, over extracts from a book by them that appeared in the FT last week.

Mr Baker's writ relates to extracts from a book called *All That Glitters* about the collapse of Barings. These extracts included transcripts of taped telephone conversations among managers of Barings before the collapse last year. Mr Baker said in a statement yesterday that the publication of what he called "defamatory allegations" against him could undermine his ability to obtain a fair review of his case at a Securities and Futures Authority tribunal hearing, due to commence on October 15.

Mr Richard Lambert, editor of the Financial Times, said yesterday: "We have every confidence in what we have published, and will be defending the case."

Lib Dems get whiff of real political influence

By George Parker and Liam Halligan

Britain's Liberal Democrats will gather today for the start of the annual party conference season, and commentators will pay more attention than usual to the UK's third party.

After more than 70 years in the political wilderness, the centrist party can at last scent the prospect of real influence at Westminster. The next election must be held by late May next year, and opinion polls consistently indicate that it will return a moderate Labour government markedly different from the last Labour administration, which was ousted by the Thatcher-led Conservatives in 1979.

Mr Paddy Ashdown, the hyperactive former Royal Marines commando who leads the Liberal Democrats, talks regularly with Mr Tony

Blair, the Labour party leader. If the next election falls to yield Labour a clear majority in the House of Commons, Mr Blair may turn to the Liberal Democrats for help.

It will not be the first time the two parties have worked together. But the "Lib-Lab pact" of 1978-79 in which the Liberals, precursors of today's Liberal Democrats, used their votes in the Commons to keep a declining Labour government in power, was short-lived.

The Liberal Democrats now hold 25 out of the 651 seats at Westminster, and party strategists privately concede that they are unlikely to win more than 40 at the next election. But the number of seats alone may not reflect their significance. That will depend heavily on the outcome of the election. If Labour fails to win a clear majority in the House over

all other parties, it may need to work with the Liberal Democrats in order to outvote the other parties.

The Liberal Democrats claim they would make a Blair government more radical. They support robust environmental taxation, an increase in the top rate of income tax and electoral reform of a kind that would increase the party's representation at Westminster.

But it is on the question of Europe that the Liberal Democrats could be most influential. Mr Ashdown's party is fervently pro-European, favouring a single currency in the European Union and deeper integration in areas such as defence.

If Mr Blair were prime minister, he would almost certainly require Liberal Democrat support to take Britain into a single currency, not least because several influential figures in



Party leader Paddy Ashdown and his wife Jane at Brighton

Labour oppose such a move. In many areas of domestic policy, Labour and Lib Dem policy is now almost indistinguishable. Some senior figures in both parties talk privately of building a permanent left-of-centre anti-Conservative coalition.

After their brief glimpse of power in 1978-79, the Liberals re-emerged during the 1980s to fight general elections in collaboration with the newly-formed Social Democratic Party, which included many

defectors from Labour. In the 1990s the Liberal Democrats have made solid and impressive gains in local government, overtaking the struggling Conservatives in 1996 in terms of the number of councillors. The party is solvent and its organisation professional.

This week's conference - the last showcase for the party before the election - will mark the latest staging post in the Liberal Democrats' long search for relevance at Westminster.

Business to save £17.5m on form filling

By David Wighton, Political correspondent

British businesses will save about £17.5m a year from moves to cut the time spent filling in forms for national statistics, the government is to announce today.

The new measures will include "survey holidays" for small companies, guaranteeing that they will not need to take part in more

than one survey for the Office of National Statistics every three years.

The changes, which form part of the government's deregulation initiative, will be welcomed by small and medium-sized businesses. An advisory committee, set up earlier this year by Mr Roger Freeman, the deregulation minister, has concluded that the costs to business could be cut by a quarter without

affecting the quality of the statistics.

Among the committee's recommendations, all of which have been accepted, is that surveys should be redesigned so that the information requested is in a similar format to the data companies have for their own use.

The government is also reviewing ways to encourage the development of accounting software packages so

that information collected for company accounts can be retrieved easily for surveys.

The advisory committee found that with better sampling of companies, less data could be collected without affecting the reliability of the statistics. Moves already under way include the simplification of intrastat forms, which record imports and exports between European Union member states.

The government estimates the cost for business of responding to surveys in 1994 was £70m.

As well as reducing the existing burden on business, Mr Freeman wants to curb the growth of unnecessary new surveys. Government departments planning new surveys will have to prepare and publish full compliance cost plans agreed by ministers.

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THIS WEEK

Frankly, they don't give a damn

Rarely has so much printer's ink been spilled by so many over an issue of the French remain insouciant.

churches on the Pope's itinerary. Lionel Jospin, leader of the Socialist party (and a Protestant), threw himself into the fray recently, denying the importance of Clovis to the history of France and arguing that no public funds should be used towards the papal visit - a cry taken up by several local authorities which withdrew or refused funding.

DATELINE Paris: The controversy over an ancient king is serving the French elite as a distraction from pressing modern problems, writes Andrew Jack

that there were Christian kings in the region which is now France before Clovis, that many French were already Catholic; that modern France began far more recently; and that the sacred baptism took place not in 496 but at least three years later.

These have been accompanied by a growing opposition movement which has merged Clovis, the Pope's visit and the very sanctity of the separation of church and state - officially enshrined in law in 1905.

ing his ties with assorted fringe traditionalist Catholic groups. He was not an official invitee during last week's celebrations.

even shook the Pope's head at the Elysée Palace in 1980. If God was abolished during the French Revolution and marginalised when church was separated from state nearly a century ago, perhaps guidance on the present controversy should best come from that later-day replacement deity, the opinion poll.

The Monday Profile: Berthold Leibinger, Trumpf

The appliance of self reliance

If anyone was to be handed the title Mr Mittelstand, it might go to Berthold Leibinger, chief executive and owner of Trumpf, Europe's biggest machine tool company.



But in the past few years the faded growth-generating qualities of the Mittelstand have looked lacklustre. As the German economy faltered, many Mittelstand companies - often headed by members of the same family for generations and doggedly independent - were accused of having grown soft and inward looking just when they should have been trying to ward off unprecedented international competition.

Leibinger, who joined Trumpf as an engineer in 1950 and took control from its previous owners in the 1970s, believes the criticism is justified. He insists the Mittelstand, plus the rest of German business, must rediscover its old dynamism by shedding some of its traditional consensus-based practices.

Leibinger wants managers to go on the offensive over matters such as pay and working hours, and foresees a period of "local conflict" in German industry. At present wage bargaining and similar matters are frequently decided by regional or national talks between unions and

employer bodies. Leibinger believes that this symptom of the "German disease", as he calls it, often prevents companies from moving quickly and in an entrepreneurial style. "In modern management systems, Britain is 10 years ahead in some respects," he says.

Trumpf has avoided many of the criticisms levied at the Mittelstand. The company had a difficult spell in the early 1990s, but after rethinking manufacturing and design procedures and a new emphasis on international expansion it has grown healthily. Sales last year were DM930m (\$404m), and profits of some DM70m were

forcefully self-reliant style characteristic of many Mittelstand leaders. When 17 years ago Trumpf was about to move into precision laser-cutting machines, he toured the US seeking laser suppliers. Dissatisfied with what he found, he set up a design group, which produced what he wanted - "lasers developed by physicists who understand the shop floor". Today, Trumpf makes all its own specialist carbon dioxide lasers and is one of the world's biggest companies in the field. It is also in the top four in laser-cutting systems.

In the late 1980s Leibinger was quicker than many in German industry to wake up to Japanese-style teamworking and "continuous improvement" techniques to increase the efficiency of manufacturing. He introduced many of these ideas at Trumpf, which, with changes in development and manufacturing methods, have reduced production costs by some 20 per cent.

A key person in achieving this was Matthias Kamiller, Trumpf's vice-president for manufacturing. He is married to Leibinger's eldest daughter, Nicola, Trumpf's head of public relations. Although Leibinger says he has no thought of retiring, many observers are betting Kamiller will succeed him.

Asked whether he plans to sell his 75 per cent shareholding in Trumpf and realise what would probably be at least DM200m, Leibinger looks slightly pained. He dislikes the British tendency for entrepreneurs to build up a business and then sell out. "In Germany we do things differently. We like to keep the family commitment."

Peter Marsh

FT GUIDE TO

Europe's beef business

Has the European Union's beef market collapsed as a result of the scare over mad cow disease? Nearly, but not quite. What has collapsed is consumer confidence. Shoppers are turning their noses up at all things beef, preferring to eat pork, chicken, fish or lamb. In the last six months, average beef consumption in the EU has fallen by 11 per cent. In Germany it has fallen by 30 per cent. The collapse in sales has driven prices down by between 15 per cent and 21 per cent compared with last year. A beef mountain of surplus stocks is expected to reach nearly 1m tonnes this year.

Why? People are scared. Panic set in late last March when a junior minister in the UK government announced in parliament that there was a possible link between bovine spongiform encephalopathy (BSE), more commonly known as mad cow disease, and a rare but fatal human brain disease, Creutzfeldt Jakob Disease (CJD). There is no conclusive proof the two are linked, but alarm bells sounded when British scientists identified a new strain of CJD. As of June this year, 11 people in Britain had died from it. The assumption is that BSE was the most likely cause.

What has been done about it? A great deal. A worldwide ban has been slapped on British beef and beef products; the British government has slaughtered more than 500,000 cattle as part of its scheme to remove all cattle over 30 months of age from the food chain (older cattle are more at risk than younger ones); mammalian protein, considered to be the cause of the problem, was banned from all animal feed in March (it was banned from cattle feed in 1989); and tough controls have been put on all slaughterhouses and processing plants.

Isn't that enough? No. Britain's EU partners want it to kill about 125,000 cows considered to be most at risk from the disease. The British government says it won't. Its main line of defence is that, according to most prognoses, the disease will die out by 2001 anyway, and that to eliminate BSE overnight it would have to slaughter half the country's dairy herds and 15 per cent of its beef herds. Britain also says the ban on mammalian protein has led to an 80 per cent drop in the number of BSE cases since the disease peaked in the winter of 1992-1993.

Isn't the EU being a bit unreasonable? Perhaps. But the EU tends to take a tough line when it comes to animal diseases. Germany, Spain and Italy have had to slaughter millions of animals when evidence of diseases such as foot and mouth has emerged. Its policy of mass slaughter is justified on the grounds that the EU

is a single market and animals, with their diseases, can travel quickly across borders.

Are there any other useful precedents on the BSE front? Not many. Britain has had more cases than any other country in Europe - 163,000 at the last count. In Ireland and France entire herds are slaughtered when cases of BSE are found. Switzerland has just announced it will kill 230,000 cattle, or one in eight of its herd, to eradicate the disease within three years. With 223 cases of BSE, Switzerland has had the second highest number after the UK.

How much of all this is driven by science and how much by politics? That depends entirely which side of the fence you are on. For the British there is more than a sneaking suspicion that the EU's demands are punitive. But in continental Europe there is a widespread view that the British government has chosen to use the BSE affair to placate the anti-European lobby in the ruling Conservative party. EU countries are sore because their markets are in a bit of a mess. The biggest problem facing both sides is the lack of conclusive scientific evidence on the issue.

So is British beef safe to eat? That depends on your definition of "safe". Britain's Ministry of Agriculture says that "in any common usage of the word, beef is safe". Britain's prime minister, John Major, has ostentatiously served beef to visiting heads of state, including Germany's Chancellor Helmut Kohl. But large numbers of people remain unimpressed. Even a ban on British beef has not prevented consumers in continental Europe turning their backs on the stuff.

Have any useful lessons been learnt? Yes. There seems to be general agreement that making carnivores out of ruminants is a bad idea. The official theory is that BSE was caused by cattle being fed meat and bone meal made from sheep infected by the disease scrapie. One possible outcome is that farmers will be encouraged to abandon intensive farming techniques, where larger numbers of cattle are fed processed food, and adopt more traditional methods, in which cattle are raised primarily on grass.

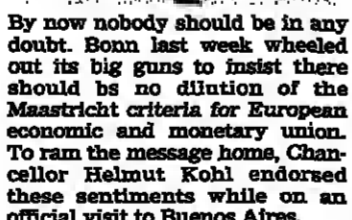
Is there an end in sight to this sorry affair? Nobody knows. The way things are going the EU will have introduced its single currency at the start of 1999 before British beef makes it back on to continental supermarket shelves.

Caroline Southey

Peter Norman • Economics Notebook

Emu: no wobblers need apply

Bonn is keen to quash speculation that it is going soft on Maastricht



By now nobody should be in any doubt. Bonn last week wheeled out its big guns to insist there should be no dilution of the Maastricht criteria for European economic and monetary union.

This jawboning came after a flurry of rumours and reports suggesting that Germany was going soft on Maastricht or might be prepared to delay Emu. A week ago, the influential news magazine Der Spiegel quoted an unnamed adviser of Kohl's as saying that there would be "no monetary union without a change in the criteria".

private dinner with international business people early this month, he mooted the possibility of a delay to Emu if the criteria could not be met.

Even before these mixed signals, Germany's recent record on the Maastricht criteria had given grounds for scepticism. This year's government deficit looks certain to be higher than last year's 3.5 per cent of GDP; the Bundesbank is forecasting a 4 per cent. Although Waigel expresses confidence that the deficit next year will be 2.5 per cent of GDP, there are many uncertainties ahead.

The plans for a 2.5 per cent in federal spending to DM440bn (\$191.3bn) could be blown off course by continuing high unemployment. The spending plans of the federal states are unclear, and the revenues of the federal, state and local authorities are more than usually uncertain because legislation to change business, inheritance and wealth taxes is stalled in parliament.

On the other hand, this involves Germany giving up the D-Mark, the acknowledged symbol of the nation's success over



France Germany

early for Kohl to be seriously wondering what to do if Germany or other Emu aspirants fail to meet the criteria. His genius as a politician is not to rush at issues but to wait until conditions are ripe for action, and then move decisively.

The picture could be very different in six months. The mechanics of power politics suggest that spring 1997 will be a vitally important time for Emu. It has always seemed implausible that leaders such as Kohl or President Jacques Chirac of France will wait until early 98 to determine which countries can enter Emu by a simple tally of which countries meet what criteria.

Such a crude book-keeping exercise would seem inappropriate to settle the future of a policy of profound importance for Europe's history and development.

By early next year the EU states will have pushed their 1997 budget plans through their respective parliaments. They will have a clearer idea of growth prospects in the period that is to determine which countries forge ahead with the single currency. In addition, the European Monetary Institute will have produced an authoritative guide on how to interpret the criteria in the Maastricht treaty.

the past 50 years. Kohl knows that he cannot afford to give his citizens anything of lesser value. In recognition of this, he departed from his prepared text at last month's reception to celebrate the 66th birthday of Bundesbank president Hans Tietmeyer and in an emotional passage stressed that there would be "no rotten compromises" on the road to Emu.

It sounded like a signal that the chancellor was already preparing the fallback position of a delayed start for Emu if the convergence criteria are not met. There would be little political fall out so long as delay was seen not to be Germany's fault. Kohl, who is no friend of the banks, would not stop and worry that bankers and industrialists are already starting to invest millions in computer systems to cope with the euro.

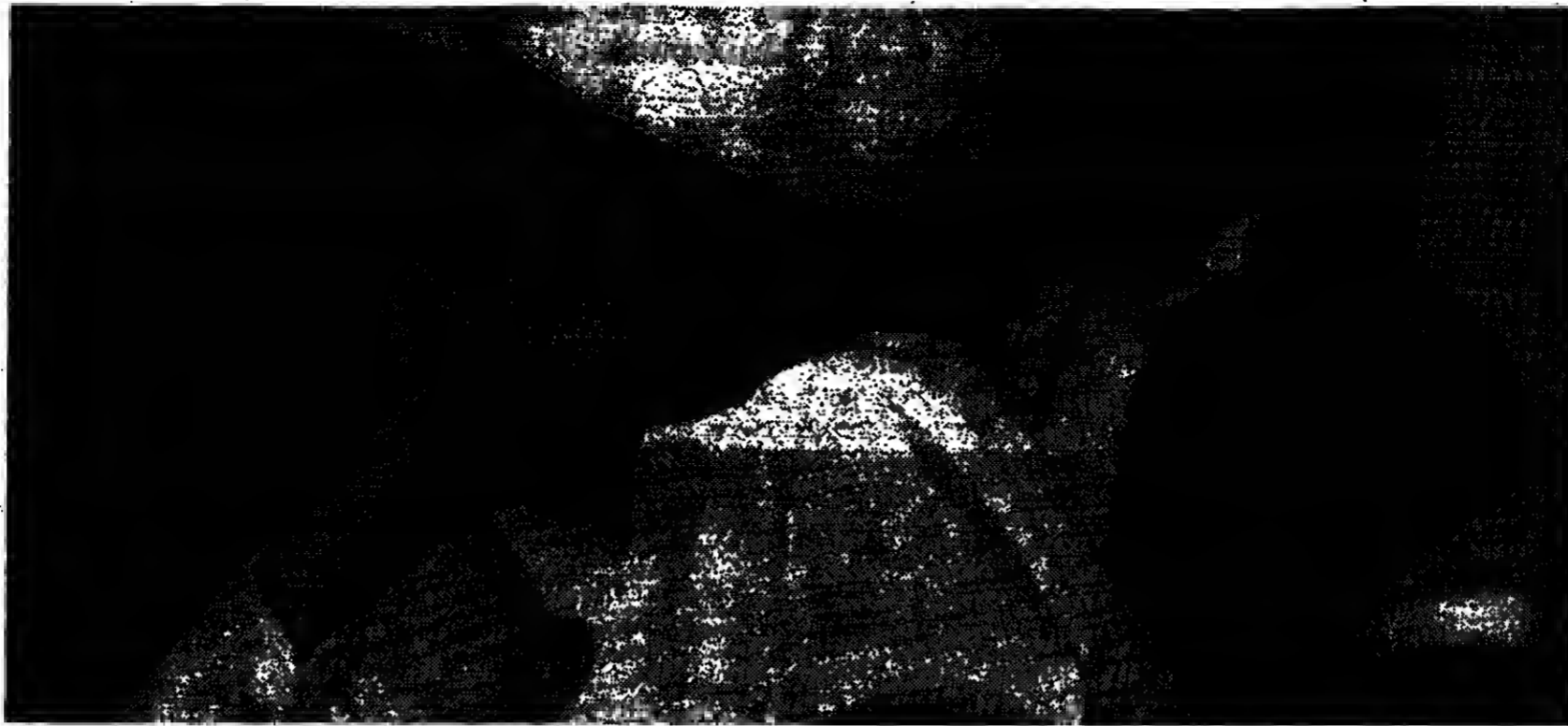
So do not be surprised if there is a flurry of activity culminating in a special summit of EU leaders early next summer for that will be the time to see whether Kohl, Waigel and Kinkel have to resort to delay on Emu.

Table with 4 columns: 1st Year, 2nd Year, 3rd Year, 4th Year. Rows include various years from 1970 to 1990.

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The Kingdom of Saudi Arabia celebrates the 64th anniversary of the National Day



Planned investment for our future

The planned development of Saudi Arabia during the past 4 decades has been characterised by 3 main features:

- The extent and degree of enormous economic and physical change
- The high degree of social and economic stability and cultural integrity in the midst of this change
- The progressively increasing role of the private sector in material development.

On 23rd September of each year, the Kingdom of Saudi Arabia celebrates its National Day in commemoration of the foundation of the Kingdom by his majesty King Abdulaziz bin Abdulrahman Al Saud, who unified segmented regions and peoples to one nation in September 1932 upholding Islamic Law - the Shari'a - as its constitution.

King Abdulaziz ruled Saudi Arabia until 1953 and was succeeded by King Saud (1953-64), King Faisal (1964-75) and King Khalid (1975-82). In 1982 King Fahad bin Abdul Aziz succeeded King Khalid, and holds the title of Custodian of the two Holy Mosques as his official designation, thus re-affirming the fundamental responsibilities of the Saudi State.

In 1993 King Fahad bin Abdul Aziz appointed the 60-member Shura Council which is parliament in the Islamic context to advise the King and his Cabinet on Affairs of State. The members represent a wide cross section of Saudi society and include academics, businessmen, technocrats, theologians, doctors, the military and government officials. Two thirds of members hold Phds. The Shura Council formulates, discusses and passes laws and presents them to the King as Head of State, who in turn refers them to the Council of Ministers.

Saudi Arabia today

The Kingdom of Saudi Arabia has a population of 16 million and a land area of nearly one million square miles.

Islam

The religion of Saudi Arabia is Islam. Islam is one of the world's great monotheistic religions. The followers of Islam believe in one God - Allah in Arabic - and that Mohammed is his Prophet. The worldwide community of Muslims, numbering over one billion, turn devotedly in prayer five times a day towards the sacred Kabbah in Makkah, Islam's holiest shrine.

Oil and Petrochemicals

Saudi Arabia has 25% of the world's known oil reserves, and if production continues at the present rate of 8 million barrels per day the oil will last until half way through the 22nd century. Diversification of the economy has resulted in oil contributing only 36% towards GDP in 1995.

In 1995 SABIC (Saudi Basic Industries Corp.) produced 22 million metric tonnes of chemicals and petrochemicals, plastic resins, fertilisers, steel products and nitrogen and exported to 75 countries.

Mining

Saudi Arabia has mineral deposits of phosphate, gold, iron, bauxite, zinc and copper and the mining sector contributes to a total of 4% of the total GDP of the Kingdom.

Water Sources

185 dams for storage of a rainfall capacity of 689 million cubic metres have been constructed in the Kingdom. 32 desalination plants produce 575 million gallons per day and five more currently under construction will bring production to 800 million gallons per day.

Economy

The Kingdom's overall economic growth jumped to 4.3% in 1995 from 1.4% the previous year. The private sector grew by 1.5%.

- April 1996 reserves were \$10.9 billion, up 27% on year end 1995
- Non-oil exports grew by 42% last year to 23.8 billion Saudi Riyals
- The Kingdom paid the final tranche of the \$4.5 billion foreign loan obtained during the Gulf war in May 1995
- 2,303 factories employ some 240,000 workers
- The industrial private sector contributed 14% to GDP in 1995
- 340 factories have been built jointly with foreign capital
- The oil sector grew by 9.2% in 1995 and the 1996 forecast is 6%.

Sales of Saudi Arabian industrial products totalled \$25 billion in 1995. Saudi Arabia's industrial products include foodstuffs, soft drinks, clothing, textiles, leather, timber, wood products, furniture, paper, printing and publishing, chemicals, plastics, building materials, glass, porcelain, ceramics, industrial and finished metals & machinery and equipment.

Banking

Saudi Arabia has twelve commercial banks which have over 1,200 branches throughout the Kingdom. The banks' assets totalled \$262,836 billion at the end of 1995 and profits were \$1,545 billion. The banks have just posted record results for the first six months and 1996 looks to be a record year for Saudi banking.

Industry

The Saudi manufacturing sector is larger than that of the smaller OECD countries such as Greece and Portugal and some newly industrialised countries like Singapore and Hong Kong.

Saudi Arabia's industrial exports in 1995 went to 75 different countries.

Foreign companies have invested over \$25 billion in Saudi Arabia. Saudi Arabia welcomes foreign investment and companies investing in the Kingdom at the industrial cities of Jubail and Yanbu benefit from:

- Low interest industrial loans
- No exchange controls
- Good industrial and physical infrastructure.
- Ten year tax holiday
- Freedom to repatriate capital and profits

Agriculture

Saudi Arabia is self-sufficient in wheat, fruit and vegetables. Harvested crops, livestock and fish are exported.

Farming is second only to oil in GDP. Food-processing in Saudi Arabia includes vegetable and animal oils, juices and canning of fruit and vegetables.

Transportation

Saudi Arabia has built 42,000 km of modern roads and 96,000 km of agriculture driveway. There are 8 major seaports on the Red Sea and the Arabian Gulf which have 180 docks and the 1995 volume of shipments was 86.8 million tonnes.

Saudi Arabia's railway between Riyadh and Dhahran carries over 500,000 passengers a year. The Saudi Arabian Airline 'Saudia' carries 12.5 million passengers annually and there are 26 domestic airports across the Kingdom, including 3 international airports at Riyadh, Jeddah and Dhahran. 25 million people travelled from these airports in 1995.

Human Resources

The total number of male and female pupils and students in the current academic year amounts to over 4 million compared to 0.6 million in 1970.

3.3 million are studying at general level, 170,000 are studying at Saudi Arabia's 7 universities and 628,000 are studying at technical colleges, teachers' colleges, vocational institutions and handicraft training centres.

Health

Saudi Arabia has 279 hospitals, with 41,923 beds, and 3,254 health centres. These hospitals and centres are staffed by 29,227 physicians and over 100,000 nurses and auxiliary workers.

- All citizens enjoy the right to free education, health care and social security
- Social security contributions are the sole responsibility of the State
- There is no personal taxation in Saudi Arabia on nationals or foreigners.

Foreign Aid

During 1973-92 \$66.7 billion in development aid was given, estimated at 5.5% of GDP. The Saudi Fund for development has financed over 300 projects in more than 70 countries.

These are some of the achievements of the Government of Saudi Arabia and its people during the past seven decades.

For further information regarding the Kingdom of Saudi Arabia or any of the sponsoring companies please contact The Ministry of Information, Foreign Information Department, P.O. Box 570, Riyadh 11161, Kingdom of Saudi Arabia.

The congratulatory message to the Kingdom of Saudi Arabia on the occasion of the 64th National Day Anniversary was sponsored by the following leading institutions in the Kingdom



MANAGEMENT

Accused of living in the past, Harvard Business School has used its resources to set up a system that will take it into the 21st century, says Della Bradshaw

A textbook relaunch

Harvard Business School, long regarded with unswerving respect and a touch of awe in Europe, has taken a beating of recent years in its US heartland. In a country where magazine rankings can make or break a business school, Harvard had its lowest ever showing in the most recent *BusinessWeek* rankings when it came in fifth position.

While many at Harvard argue that the waning reputation has been based on perception rather than fact, dean Kim Clark believes that the school has had substantive problems to deal with. Now almost one year into the job, the circumspect new dean believes the school is well on its way to casting off its image as an academic dinosaur, too large and too slow to change.

Many of the criticisms of Harvard have hit at the school's core: the research and dissemination of management ideas. While smaller and more innovative schools stole the research march by focusing on entrepreneurial and international companies, Harvard's image remained synonymous with the older values of big corporate America.

Combined with this was student dissatisfaction about the Harvard "experience", ranging from the quality of the food to the co-operation of the administration and the flexibility and even arrogance of the faculty. There was only one way of doing things - the Harvard way.

Clark, who spent 25 years at Harvard as student and professor before his appointment as dean, likens the scale of the problems to the challenge faced by the founders of Harvard. "What we have to do is even more courageous because we've got all this legacy. The future is going to be very different."

During his first year as dean Clark has overseen the implementation of numerous changes, many of them fundamental and many begun by Clark's predecessor. They include: improving the service to students; restructuring courses to enable curriculum changes to be effected much more rapidly; overhauling the flagship master of business administration (MBA) degree and shorter executive courses; and leapfrogging other business schools in the use of technology for delivering course material.

Clark believes the school acknowledged the customer service issues - the quality of the food and dormitories, the endless queues of students waiting to see faculty or administrators - four years ago and has largely dealt with the problem. "If you compare the experience of our students today to those in 1980 or 1992, it's like night and day."

Actually changing the master of business administration degree course has taken three years to complete. While critics say that



only Harvard could take three years to redesign a programme, many within the school would say this is the school's strength - having the resources to commit to such a project.

At the heart of the scheme was the plan to change the actual structure of the MBA course so that the school could introduce curriculum changes more quickly. "We clearly weren't changing fast enough," says Steven Wheelwright, senior associate dean in charge of the MBA programme.

The decision was to split the students into three "cohorts", each with 250 to 300 students. While two of the cohorts begin their course in September, the traditional entry date, from this year one cohort begins in January, and completes a full academic year's study by September, omitting the summer company placement. This cohort is intended for older and more experienced managers.

Splitting the students into smaller groups, with about 18

academics in charge of each group, means that changes in the course content can be more easily agreed. The plan is to introduce changes in the single January cohort - only 18 academics would need to agree to them - and then implement successful changes in September.

Course content has moved away from traditional academic topics - economics or technology - to cross-course integration focusing on problem-solving. The real test is whether Harvard can provide a model in its organisation for students to follow when they take up their own jobs, says Wheelwright.

Although he believes substantial changes were needed he also argues that there was a perception problem among new students about Harvard. "We let the world define our course for our students much more than we defined it for them," he says. Now action is being taken to change student expectations.

To do this the school has completely changed the beginning of

the course. Instead of being torched by an unanswerable question from a lecturing faculty member on day one of the course - the worst nightmare of any MBA student - course members now spend the first three-and-a-half weeks in groups doing "foundations". These form a series of case discussions to set the framework of what is to follow. Seventy five per cent of the material used focuses on companies outside the US.

This year the students looked at the case of Northwest Airlines, for example. Academics wrote 11 cases on issues affecting the company from November 1991, its alliances, regulatory issues and brush with bankruptcy. Written text was interspersed with television coverage of the time. But the most important ingredients were the directors from Northwest, led by co-chair and Harvard alumni Al Checchi, who turned up to talk to students and answer their questions.

"How many institutions have the relationships which allow

them to open up companies to this kind of scrutiny?" asks Leonard Schlesinger, the unit head of service management at Harvard and co-author of the Northwest Airlines case studies. "The bottom line is this is not reproducible by other schools."

The technology platform used to deliver the revised MBA course is particularly close to Clark's heart, and a programme he instigated when he became dean last October. The famous Harvard case study method remains at the heart of teaching but students can now plug into the text on their PCs in the main campus buildings or in their dormitories.

More than this, the cases are interspersed with video footage on the computer screen which illuminates the cases - enabling students to assess situations by the expression on a manager's face, or news coverage of the time as well as the text.

The system was installed in less than a year and at a cost of \$10m (\$5.4m) using existing academic and support staff. "You can't even hire a company to come and do it for you," says Clark proudly. "I believed we ought to adopt a strategy of leadership at using the technology."

The technology enhances the faculty's core skills, rather than replacing them, he emphasises. "What we are asking the faculty to do is bring the real world into the classroom. The core teaching is the same."

In executive education the story is a similar one. The department has responded to demand by launching a programme in two three-week blocks, with a seven-week stint in between, rather than the traditional six-week format. And about three years ago the school decided to develop programmes for individual organisations.

But the bottom line remains the same. "In all this we're motivated by the mission of the school to research and disseminate new ideas in management," says Earl Sasser, senior associate dean and chair of executive education. Company programmes are viewed as a two-way street and will only be undertaken if faculty can extract meaningful research findings. "It's not just a professional service," he adds.

Clark believes a more aggressive Harvard, one which reacts to change more quickly and trumps its triumphs more loudly, will re-establish its position as the pre-eminent business school. And it's not because of us, it's because of our alumni. We can really make a difference in the world."



Moving to centre ground: Stephanie Whitaker and Duncan Rush

PARTNERS

Ignis

Stephanie Whitaker, 40, started Ignis, an advertising agency, in 1989. Duncan Rush, 30, joined as an account director in 1992 and became a partner in 1994. Their annual turnover is £5m.

Duncan: "Steph's one of those people who believes anything is achievable with effort. If she

wants to do something, not a huge amount will stand in her way. She's very creative, always full of great ideas. It's brilliant from the client's point of view, but they can sometimes go off into 'black' in the one she's always back a bit. Often her ideas are just too wild. She once suggested making a promotional packet of chewing gum on condition to make the whole evening a 'gum-out experience'. She's a good manufacturer of ideas but, like a lot of clients, they wanted to see a concept that had worked historically. Very few marketing managers will put their balls on the line with an idea that hasn't been done before."

The definition of the quieter partner, I like to sit back and consider Steph's great at coming up with ideas, including the clients and getting the ball rolling, then she likes to take a back seat. I prefer the management of a project rather than the initial stages. We ought to have regular board meetings, but we don't. I'll say, "Got a few minutes?" and that tends to act as a springboard for discussing a range of other issues."

Steph's better than me at entertaining. She's got more energy and enthusiasm for nightclubbing than I have. She's open-minded to the point where she'll happily take clients to a topless bar. It wouldn't matter what her own personal view was, we both

know that in a business like ours, the client is number one."

Stephanie: "When I made Duncan a director, everyone in the company was delighted, including the cleaner. There was no backbiting which is amazing for an advertising agency. He's a tremendously nice person, but not too nice that he lets himself get diverted. Beneath the amiability there's a strong individual, an achiever."

We have different managerial styles. He's very considered and cautious, I'm more mercenary and more risk-taker. We come from different backgrounds which makes the contrast even greater. I'm a northern girl, with working-class roots and he's from a middle-class background. Whereas I want everything now, Duncan's prepared to wait. His hunger in business is less apparent than mine yet it doesn't stop him being ambitious."

A couple of days before a big campaign break, he'll become very quiet while he chews over all the elements in his mind. I tend to over-compensate like mad by being incredibly jolly. I always think that positive thinking can get you through any disaster. He's very good at understanding the target audience and their motivations, which is one of the most important aspects of our business."

It's very to understand the apparent reasons why people do the things they do, but Duncan likes to dig deeper. It worries me a little that we increasingly agree. Our extremes seem to be moving to a centre ground which may be a good thing, although it may mean we eventually lose our edge. I imagine our relationship is like the one between a head girl and prefect in a mixed school. It's very easy-going."

Fiona Lafferty

A distant view of corporate rivals

So now we know. Shell is the best company in Europe at dealing with environmental issues. Body Shop is one of the best when it comes to ethics. Virgin is Europe's most innovative company.

Had these views come from my mum, I would not have been surprised. No offence meant to her, corporate knowledge just happens not to be one of her special subjects. But these were the views of the most senior managers in Europe, published last week in an extensive annual survey carried out by the FT and Price Waterhouse.

Their opinions deserve to be taken seriously: anyone who is an executive of a large company should be perfectly placed to judge their peers. This makes the results a puzzle.

Shell is great at many things, but sensitivity to the environment is not its strongest point. Virgin may be innovative and Body Shop may be ethical, but the main thing that distinguishes these companies from the pack is how hard they shout about their achievements.

And as for Benetton, which is also mentioned as an ethical company, one can only assume that those advertisements showing people of many races wearing Benetton T-shirts somehow make the company ethical...

Maybe it is not such a puzzle after all. Senior executives are busy people - if they know their own companies and understand others in their sector then they are doing well. But when it comes to judging industries and companies distant from their own, they are possibly no better



Lucy Kellaway

than the rest of us: they see the advertisements and believe what they read in the papers.

Business high-flyers are risk-takers, decisive, assertive, competitive, bad losers. This macho profile of the corporate whizzkid is a cliché. It is also a reality. According to a detailed study tracing the careers of graduates of the general management

course at Henley, it was found that those who rose fastest all possessed these character traits.

The academics who carried out this research are hoping the results will be used by business leaders when they choose successors. I hope business leaders take no notice. It is one thing to describe the personalities of today's high-flyers - it is another to seek to recruit future generations in their image. What about the softer management skills that

are supposed to be more appropriate in the 1990s?

It is hard to see them getting a look-in if being a competitive, aggressive and a pre-requisite for even getting on to the short-list.

In a letter to the FT last week Peter Oppenheimer correctly pointed out that there is no such thing as an international market in corporate executives. And were there such a thing, he argued, the British would be unlikely to command high prices: selling as most us cannot even order a boiled egg in a foreign language.

How true: the previous day I had travelled to and from Paris on Eurostar listening to British businessmen with their noisy mobiles studiously avoiding

using one single world of French.

But just for the record, how do you order a boiled egg in France? I have checked with a Frenchman, and so can confidently inform those executives who might be interested in building up their international credentials that the phrase is *oeuf dur*. Or if they want their egg soft in the middle they should ask for an *oeuf dur mouelleux*.

A rather less scientific survey of top executives, this one carried out by consultants GHN, has come up with the improbable finding that bosses drink on average 15 units of alcohol a week. They must lie even more outrageously than I do when the doctor asks me the same question. If

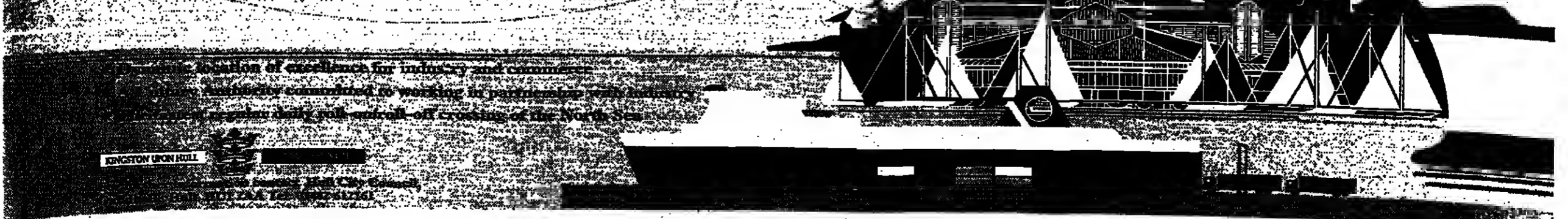
those Eurostar guinea pigs are anything to go by, they can drink that much on one train journey.

I have been reading *The Element Dictionary of Personal Development*, and among a variety of interesting phrases (actualisation, authenticity, body awareness, comfort zones...) I have stumbled on the concept of the "inner team".

Apparently each one of us is a team, made up of lots of different people. To function well, we must get to know each member of the inner team and encourage them to contribute positively.

I have been trying to summon my own inner team members, but so far no luck. Like my outer team fellows, they seem to be out to lunch.

HULL - a city that means business....



مكتبة الامم المتحدة

BUSINESS EDUCATION

In a continuing series on company training, James Bredin investigates the BBC

Media get the message

The BBC has long prided itself that its creative programme makers are its most valued assets.

Now that the BBC faces more competition than ever before, it recognises the need to be effectively managed if it is to survive the deregulated worldwide challenge of cable, satellite and digital broadcasting.

So far nearly 300 staff have started taking MBAs, diplomas or shorter courses. They are led by the 14 men and seven women who are about to finish the BBC's first three-year master of business administration (MBA) degree in public service management.

The course specification was drawn up four years ago by Ian Hayward, the head of organisation development, who joined the BBC after he had done a similar job designing the British Airways MBA at Lancaster University.

Bradford constructed an MBA course to meet the three stated



Branching out: managers from all over the BBC are studying for an MBA at Bradford Management Centre.

aims of the BBC: to create a cadre of business professionals, to retain its most talented staff and to put learning and new thinking well up on the BBC's agenda.

The MBA candidates have had to commit themselves to a demanding regime: 10 hours private study a week in addition to their full-time BBC jobs, seven-week residential modules in 13 subjects during the first two years and, in their third year, producing

a project of between 12,000 and 15,000 words related to a specific issue in the BBC.

At the end of the first two years each student's progress has been formally appraised. "At the end of the first year Bradford was much impressed by how well the 21 students compared with the non-BBC students taking Bradford's own MBA," says Hayward. "The BBC was delighted to see how early in the course the 21 were able to dem-

onstrate and apply in their jobs something of what they had learned at Bradford."

Projects are now being written and their authors will know by Christmas whether they have graduated. Projects include the impact of organisational change on BBC management, the impact of technology and the management of creative talent. All are problems that face the BBC on a growing scale.

Nikki Clarke is doing the cre-

ative talent project. She was editor of BBC Television's Six O'Clock News until two months ago when she was appointed to a new management job. Her MBA course, she says, "has given me a higher level of confidence in my management abilities and a spread of knowledge I'd not had before".

Each student has been paired with a BBC mentor, a senior manager who has offered help and support through the whole three-year course. Every member of the BBC's board of management has been willing to be a mentor, right up to and including the deputy director-general, Bob Phillips.

MBA student Ian Hunter is chief assistant to Phillips. Says Hunter: "I found the 13 modules in the first two years very stimulating because they covered whole areas that I would not otherwise have known anything about. The third year was harder because it was more difficult to motivate myself because there was no imposed deadline. But then, part of the challenge is to make yourself do it."

Hunter sums up: "We are 21 people from different BBC departments and we've had three good years networking with each other. The MBA at Bradford turns out to be a brilliant way of getting to know the BBC."

NEWS FROM CAMPUS

Organisational skills meet widget design

Experienced engineers will soon be able to complete the best part of a masters degree in design and management without leaving their desks.

The System Design and Management degree course will be launched in January 1997 and is the first time that the Sloan School of Management at the Massachusetts Institute of Technology has run this kind of distance-learning course.

The programme has been devised with the help of corporate sponsors including Ford, AT&T, Motorola, IBM and Raytheon who were involved in a pilot scheme.

The faculty will use compressed video technology to interact with the multiple remote sites during classroom sessions and will distribute material over the World Wide Web.

Students who complete the programme will receive a joint masters degree in management and engineering from the Sloan school and the MIT school of engineering.

Sloan: US, 617 253 6604

Qualification for urban regeneration

City planners from Budapest are learning how to manage urban renewal in a programme developed by Essex graduate school of management, in Paris, and the Budapest University of Economic Sciences.

The two-year programme, which began this month, involves nearly 700 hours of teaching and study in both Paris and Budapest. Essex is hoping to run similar programmes elsewhere in the area.

Essex: France, 1 3443 3104

Where to find the best MBA courses

Anyone considering doing an MBA might be interested in the Association of MBAs (Ama) reception to be held in London on October 27. Representatives from 28 business schools from the UK, plus 15 European schools and some from the US, will be there to help guide students through the maze of courses.

The reception is free, although visitors must pre-register with Ama. Ama: UK, (0)171 837 3375

CONFERENCES & EXHIBITIONS

OCTOBER 1, 2 & 3 INFRARAIL '96 Almost 200 companies from 8 countries who provide scientific, materials and expertise to the railway infrastructure industry will be at this major trade exhibition at G-Mex in Manchester from Oct 1-3. Many ex-BBC companies will be in their new liveries for the first post-privatisation marketing event in the UK. Tel: +44 (0) 707 275641 Fax: +44 (0) 707 275644 MANCHESTER

OCTOBER 3-4 Global Emerging Markets '96 A leading investment conference focusing some of the top countries, in the Emerging Markets, for mining development. The companies involved in the development of the projects which are attracting world-wide interest from the financial community will be presenting and/or exhibiting. Complimentary invitations are available to the financial and investment communities. For Registration, Enquiries, fax your request to Mr. Evelyn Gosselin, Director, Vice President and Director, at +312 609 7350, or call +303 609 1963 LONDON

OCTOBER 7 FT DIAMONDS - NEW HORIZONS IN MINES AND MARKETS The diamond business faces significant changes as the year 2000 approaches. Exploration is being pursued on an unprecedented scale. How will the producers impact on the market? What is the potential demand for diamond jewellery in Asia's emerging markets? Speakers include: Mr Hugo Damman, Senior Vice President and Group General Manager Exploration, BHP Minerals; Mr John Robinson, Chief Executive, Ashton Mining; Mr Eli Ishakov, President, World Jewellers; Mr David Hirst, Managing Director, Rosy Blue NV. Enquiries: FT Conferences, Tel: 0171 896 2626 Fax: 0171 896 2916 LONDON

OCTOBER 7 MBA Fair For those considering MBA study, 47 leading British and overseas universities will be represented at the Association of MBAs annual business school fair (sponsored by Barclays) at NatWest Bank and The Independent. Covers full-time, part-time and distance learning MBA courses. Admission free. Register to attend and receive full details via NatWest Bank's registration service Tel: 0800 850101 PAUL NALL, LONDON

OCTOBER 7-11 AND 11-12 Futures 7 General Securities Representative (5 days 7-11) Futures 3 National Commodities Futures Representative (2 days 11-12) Wallace CMT Training (London) in association with the Securities Training Corporation (New York) prepares students to sit Austin, an Securities and Derivatives Industry (NASD/NFA) examinations. Topics covered: 31 articles, options, direct participation programmes and 53 commodities futures, options on futures, financial futures. Interactive Review and Review, Contact: Wallace CMT Training, Tel: 44 171 829 8415 Fax: 44 171 240 8827 FRANKFURT

OCTOBER 8 A New Approach to Technical Analysis The first major developments in technical analysis for 10 years is discussed at this one day educational course. Tom DeMark, author of "The New Science of Technical Analysis", will give a practical presentation of his revolutionary indicators to help market participants understand his work and put his indicators to use. Contact: Argyle Services, Don Jones, Technical, Tel: +44 (0) 171 832 9737 Fax: +44 (0) 171 353 2741 LONDON

OCTOBER 8 Wills and Probate - Protecting and preserving wealth in the light of recent changes The annual essential law seminar conference in association with the Institute of Actuaries and topics of difficulty and interest will be discussed as well as reviewing basic practice in the light of recent law. Both Tax will be covered in detail. Both seminars are being held during the course of administration. Contact: Sarah Avian, IBC UK Conferences Limited, Tel: 0171 631 3214 Fax: 0171 631 4343 LONDON

OCTOBER 8 & 9 Practical Dealing Course - Foreign Exchange Training in Spot and Forward FX dealing in currencies/derivatives and Corporate treasury personnel. Highly participative course including WINDEAL (PC Windows-based dealing simulation). Training effected by practitioners with many years' dealing experience. Also appropriate for ACI Diploma candidates. £520.00 + V.A.T. Lywood David International Ltd, Tel: UK 44 (0) 1959 563820 Fax: UK 44 (0) 1959 563821 e-mail: training@lywood-devi.co.uk LONDON

OCTOBER 8 & 9 Selling Skills for Treasury Personnel Practical training course introducing selling techniques for banks' and financial institutions' corporate dealers and customer services personnel. At the end of the course participants will be better placed to identify and understand their customers' needs and handle selling opportunities with confidence. £520.00 + V.A.T. Lywood David International Ltd, Tel: UK 44 (0) 1959 563820 Fax: UK 44 (0) 1959 563821 e-mail: training@lywood-devi.co.uk LONDON

OCTOBER 8 & 9 Trading in the Foreign Exchange Market For Traders and Junior Dealers working in Banks, Corporates, Financial Institutions and Brokerage Companies. Course covers: Today's Financial Markets & Foreign Exchange Markets & Influences & Spot Exchange Arithmetic & Spot Foreign Exchange & Forward Foreign Exchange & Forward Dealing Strategies & Dealer records & Dealing Simulation £520.00 + V.A.T. Contact: TFL Training Department, Tel: 0171 600 9371 LONDON

OCTOBER 10 Personal Insolvency - Options and Priorities: The definitive guide to the latest legislation including partnership insolvencies, insolvency aspects of pensions, voluntary arrangements, investigation and examination in personal insolvency and the continuing problems surrounding the realisation of matrimonial assets in bankruptcy. Contact: Sarah Avian, IBC UK Conferences Limited, Tel: 0171 631 3214 Fax: 0171 631 4383 LONDON

OCTOBER 14 Using Tax Efficient Overseas Structures to Invest and Deal in UK Land - For use by non-UK Based persons This intensive one-day seminar concentrates on the most tax-efficient structures which UK-based and non UK-based individuals should set up outside the United Kingdom to invest in or deal in UK land or develop UK land. 21 questions answered will be put under the microscope. Contact: Sarah Avian, IBC UK Conferences Limited, Tel: 0171 631 3214 Fax: 0171 631 4383 LONDON

OCTOBER 15 The Capital Gains Tax Conference including a special feature on Venture Capital Products Do not miss this opportunity to hear how you can avoid capital gains tax and for all. At this event, speakers will share all their latest experiences and working knowledge of Capital Gains tax planning as well as VCTs and the EIS. Contact: Kate Ffrench, IBC UK Conferences Limited, Tel: 0171 631 3214 Fax: 0171 631 4383 LONDON

OCTOBER 15 Introduction to Forfeiting. Product Description & Risk Profile of Forfeiting Operations & Documentation & Bills of Exchange & Promissory Notes & Making & Receiving Offers & Indications & Calculations, Export & Valuation Quotes & Settlement in the Forfeiting Market. £225 + V.A.T 1 day. Contact: TFL Training Department, Tel: 0171 600 9371 LONDON

OCTOBER 15-16 Survival 8th Annual Business Continuity Conference and Exhibition How well are you prepared to deal with a disaster which prevents the normal operation of your business? Find out and learn new contingency strategies at the largest event of its kind outside the USA. Keynote address by Fines Secretary, Michael Howard. Contact: Survival The Business Continuity Group Tel: 0181 874 6265 Fax: 0181 874 6446 Email: survivaluk@cityscape.co.uk HEATHROW AIRPORT

OCTOBER 15-16 Trade Finance (Basic Trade Operations) Covering: Overview Trade Operations & Shipping Documents & INCOTERMS, Bill of Exchange & Bills for Collection, etc & Documentary Credits & Case Studies & Financing Trade. £220 + V.A.T 2 days. Contact: TFL Training Department, Tel: 0171 600 9371 LONDON

OCTOBER 15-17 Electronic Commerce '96 Major Exhibition and Seminars EC'96 provides a unique forum for all those who want to exploit the business benefits of electronic trading and communications. Leading suppliers, New product launches, Expert advice, Practical solutions. Thoughtful business sessions. Come to EC'96 to find out how to improve your business efficiency, competitiveness and customer relationships. For further details on the seminar programme and for complimentary exhibition tickets call: 01203 426676 WEMBLEY, LONDON

OCTOBER 17-18 Is your Company Prepared for a SINGLE CURRENCY? An essential 2 day guide to the legal, strategic, financial, accounting, IT, human resource and training implications of preparing your company for 1999. Featuring presentations by the European Commission and senior executives from companies who have already begun to plan their strategy. Ring Suzanne Thomas at IBC on 0171 637 4383 LONDON

OCTOBER 21 FT Business Seminar - The New Competitive Edge in Business-Video and Data Conferencing The first strategic level briefing matters in all sectors on the advantages of a technology that has come of age - direct from the leaders of businesses who have already realised its multiple benefits - New routes to market, improved customer care, enhanced supplier relationships. Speakers include Mr Richard W Taylor, Deputy Chief Economist, The Royal Bank of Scotland, Mr David Mouscoulas, Chief Economist, Kresmer John Brown Ltd, Mr David Suddes, Chief Executive, Network Design Manager, Cellnet. Enquiries: FT Conferences, Tel: 0171 896 2626 Fax: 0171 896 2696 LONDON

OCTOBER 22 & 23 Second Annual Russian Capital Markets & Investor Conference An international conference looking at the post-election political and economic outlook for Russia. Topics to include: primary & secondary debt & equity markets, private equity investment, fund management, direct investment and project finance and a series of workshops with company & project presenters. Contact: Anzelle Savron, Dow Jones Telephone Tel: +44 (0) 171 832 9737 Fax: +44 (0) 171 832 9940 MOSCOW

OCTOBER 22-23 Business Performance Measurement A two day conference addressing the key issues in the implementation of business performance frameworks including practical lessons in the Balanced Scoreboard, Process Benchmarking and Quality approaches. Contact: Business Intelligence, Tel: 0181 543 6565 Fax: 0181 544 9020 LONDON

OCTOBER 23-25 Institute of Personnel and Development National Conference. People: The Key to Success People established as Europe's largest and most influential management event, this year's IPD National Conference will focus on "people as the key to success", in ensuring organisations achieve a sustainable competitive advantage. Key themes include Strategic Direction, Reward Strategy, Managing and Developing People and Resourcing the Organisations of the Future. Contact: IPE, Tel: 0181 263 3434 Fax: 0181 263 3366 LONDON

OCTOBER 24 & 25 FT TECHNOLOGY IN RETAILING STRATEGIES FOR SUCCESS IN A RAPIDLY CHANGING ENVIRONMENT Arranged in association with Retail Technology magazine, this conference will address the major strategic and tactical issues identified by retailers to be of operational concern to retailers both in the UK and wider continental Europe. Key decision makers from the retail sector, together with IT suppliers and consulting companies will discuss current and future developments. Enquiries: FT Conferences, Tel: 0171 896 2626 Fax: 0171 896 2696 LONDON

OCTOBER 24-25 4th Pharmaceutical Technology Europe Conference & Table-Top Exhibition An essential forum for pharmaceutical manufacturing professionals to gain intensive up-to-date information on the industry's topical issues, within a practical framework. For further information, please contact Zory Grogan, Conference Manager, Advanced Communications, Tel: +44(0) 1244 378 888, Fax: +44(0) 1244 370 011 LONDON

OCTOBER 28-29 Advanced Capital Markets This course builds from our introductory level programme and is aimed at those with a good basic grounding in advanced terminology. It looks at advanced applications of capital market products, especially repos and other fast developing markets and financial instruments. Enquiries: FT Conferences, Tel: 0171 896 2626 Fax: 0171 896 2696 LONDON

OCTOBER 28-30 Futures and Options Settlements Recent events have illustrated the catastrophic risks inherent in the back office control of trading in complex financial instruments in volatile and global markets. This course provides an understanding of the controls needed to record correctly transactions in Futures and options. Enquiries: FT Conferences, Tel: 0171 896 2626 Fax: 0171 896 2696 LONDON

OCTOBER 30-31 IBCPR '96 This conference and exhibition will re-focus the role of management in the process based organisation, manage the portfolio of performance improvement techniques unless the transformational potential of IT, mobilises employees to achieve radical cultural change and taps the innovative power of people. Contact: Business Intelligence, Tel: 0181 543 6565 Fax: 0181 544 9020 LONDON

OCTOBER 31 8th Professional Indemnity Insurance Conference Liability claims against professionals are increasing and while there have been Court decisions in favour of insurers and their underwriters, the underlying trend for an increase in claims mean there is an onus for complacency. This DVP conference is ideal for Professionals, intermediaries, underwriters, professional advisers or agents who need to keep up to date with recent and likely developments. Contact: Harvey Dawson at DVP Conferences - Tel: +44 (0) 171 553 1449 Fax: +44 (0) 171 553 1111 Email: conferences@iprinsure.com LONDON

BUSINESS EDUCATION

A to Z of Business Schools on Thursday, October 3 1996. For further information please contact Karl Loynton on Tel: +44 (71) 873 4874 fax: +44 (71) 873 3064 FT Surveys

No more applications for this year's MBA courses accepted after September 30th... sorry. This is the last call for candidates with commitment, maturity and motivation. MBath UNIVERSITY OF BATH

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SPORT / ARCHITECTURE

Michael Thompson-Noel · Sport

There's no business like sports business

Some Hollywood talent agents say that sport is now a bigger world business than all other forms of entertainment combined.

This is a difficult thing to do. In fact, the best way to glimpse the ramifications of the sports business in all their entrepreneurial glory is to attend a big trade fair, such as last week's EXSL 96: the 13th Exhibition of Sport and Leisure.

It was thought to have been highly successful: 210 exhibitors, 8,500 sq m of stand space (12 per cent up on last year), more than 350 brands and hundreds of products, including many new ones, in a startling range of product groups, from footwear and apparel to sports and fitness equipment and accessories.

Some of these product areas have numerous specialist sub-categories. Sports apparel, for example, includes - obviously - common or garden sportswear (soccerwear, cricketwear, swimwear) but also aerobicwear, dancewear, beach-

wear, surfwear, sports fashionwear, fitnesswear, activewear, musclewear, bodywear, many types of leisurewear (usually outdoor leisurewear, but not exclusively so), and - for the cool - various lines of streetwear.

New or nearly new products on show included Siazenger's extra-long tennis rackets and extra-long V100 Wengh Zone cricket bat; the world's most powerful sports whistle, from J Hudson & Co (Whistles); many improved versions of sports shoes and skates; new sports, mountain and fashion sunglasses from, Cebe - even new "sports/activity bottles", in various sizes and colours, from Worldtrade Industries.

EXSL is sponsored by the British Sports and Allied Industries Federation, which has almost 800 member companies and represents 20 trade associations. Its president is Chris Aylett, who says the UK sports business is enjoying a boom. Aylett used to own a number of sports import, wholesaling and distribution companies, but sold them to a bigger group.

"A lot of buying and selling of sports companies goes on," he says, "because they are especially attractive to entrepreneurs. It is a business with an unending

demand for new ideas, products and formulations - so unending that it cannot be saturated."

The UK's national lottery has been very good for sports businesses, he says, and will continue to be so. "So far, the lottery money handed to sport has been used for capital projects and facilities, but the more facilities the lottery provides, the more consumers will spend on clothing and equipment."

"Politically, sport in Britain is receiving a much better deal under John Major's government than it did under Margaret Thatcher's, and England's successful staging of the finals of the European soccer championship this summer is still having a positive impact on high-street sales."

A good example of a young sports company with attitude is Toffs (The Old Fashioned Football Shirt Company), which Alan Finch, a lifelong Arsenal fan who had worked in the music business, started in 1990. Toffs recreates classic, 100 per cent cotton football shirts from 1885 to 1975 and sells them for £33.99 each. Its fourth catalogue will feature more than 300 shirts, including England's 1966 World Cup-winning shirt.

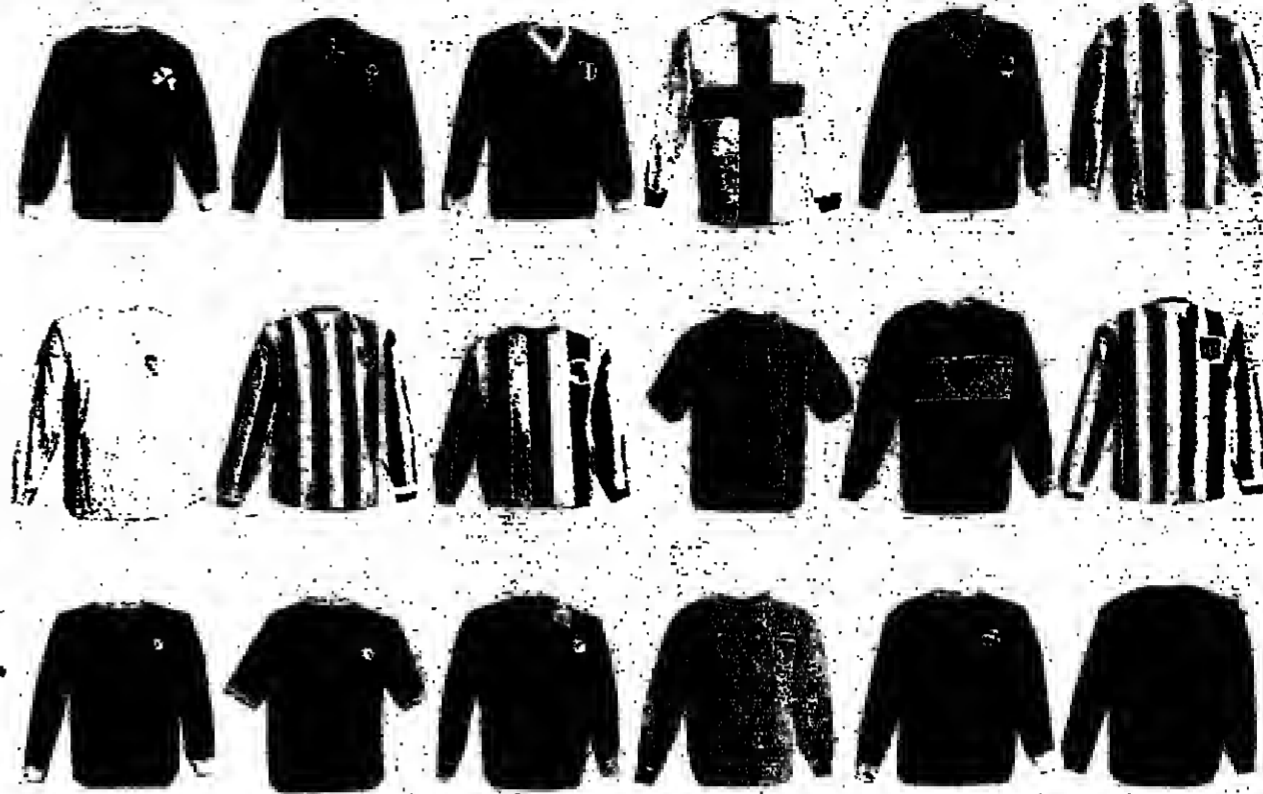
"Turnover in our last financial year, to April 1996, doubled to approximately £1.1m," says Finch, "while for the four-month period to August this year it grew to about £800,000. We show a gross profit of 30-40 per cent. How? We bear down heavily on our fabric suppliers, is how."

Finch used to make T-shirts that looked like old soccer shirts. Nothing special about that. The clever thing was to go a step further and make soccer shirts that looked like old soccer shirts.

Spain's soccer coach, Javier Clemente, is getting a bit Delphic. Last week he was in Copenhagen for a three-day coaching convention hosted by Uefa, which governs European soccer.

International soccer's biggest problem, said Clemente, was refereeing mistakes. "You need perfect referees, but where is the perfect referee?" But Clemente, whose side was eliminated by England on penalties in the Euro 96 quarter-finals last June, said perfection in football was not a good thing, anyway.

He did not, for example, favour high-tech or even low-tech solutions, such as slow-motion TV replays, to



Retrowear: Toffs sells more than 300 classic football shirts devoid of sponsors' names and advertising

refereeing problems. "In my opinion, technology must not come into football, because then the arguments will end and without arguments football will die. We would lose the great attraction of football - that a modest team can upset a big team."

Spain's coach said he was against tampering with the laws of soccer so as to encourage a more attacking game. But then he seemed to indicate that efforts to make soccer more dynamic had produced good results. "Some time back we got to

23 effective minutes of play in 45 minutes. Now it's up to 31. Ruling that the goalkeeper mustn't handle a back pass has contributed to this. The idea is that we should play more. But we'll still be 11 against 11 next year."

Oracular, or what?

One of the choicest items of sports news to be flashed around the globe last week was confirmation that six-year-old Cigar, the great American racehorse, was eating his beloved pepper-

mints again. He went off them - indeed, went completely off colour - after his defeat by Dave and Go when bidding for a record 17th consecutive win last month. But Cigar, for whom a reported \$30m (£19.2m) offer from Japan has been rejected by owner Allen Paulson, returned to form at Belmont Park racetrack, New York, on September 14, when winning the Woodward Stakes in a stroll - and is eating everything in sight.

It strikes me that the time is approaching when racehorse trainers and owners will find it expedient to issue regular and detailed bulletins on their horses to bettors via the Internet. Without betting, horse racing would not exist. Yet bettors would not exist. Yet bettors squander billions while knowing practically nothing about the horses on which they are betting.

Soon, I suspect, trainers will feel obliged to release about the horses in their care, including medical, dietary, training and psychological data. For a start, what brand of peppermints does Cigar use?

Colin Amery · Architecture

Transforming Britain's shrines of art

Transformation is the order of the day, and it is taking place at two British institutions. The new galleries at London's National Portrait Gallery designed by architect Piers Gough of CZWG have just opened, and proposals for the refurbishment and extension of the Dulwich Picture Gallery by Rick Mather Architects have had their first public airing.

strong sense of the theatrical and a real ability to see how the public, in large numbers, can enjoy and be inspired by art. In the Victorian galleries he has unblocked windows to let in daylight, removing some of the sense of gloom that once pervaded them. To make the portraits of national worthies somewhat less forbidding and more interesting, Gough has angled some of the canvases from the wall so that you face the sitter in

isolation, with natural light falling on the faces. There are radical ideas throughout, and Peter Funnell and Honor Clark, the curators, have been ingenious and flexible in their approach to the raw material of the collection. Everywhere there is a striking sense that we are confronting people rather than portraits. Indeed, a visit to the Victorian galleries is now very much like going to a good party - you come

face to face with the character of the sitters rather than some routine historical portrait. However, it has to be said that these encounters do not always help those portraits which are not of the highest quality. For the early 20th century, whose works are housed in the Duveen wing, Gough has been brave, making a contemporary space with a stylish curved ceiling. Here the pictures are hung on glass walls, and the room

already possesses the atmosphere of a brave new world. The danger that the paintings might look like something in Harvey Nichols' windows was a real one, but the experiment comes off. The skilful hang, accompanied by the new showcases of drawings and photographic and archive material, make this a pleasantly didactic experience. On October 22 there is an opportunity to hear the director

of the National Portrait Gallery and the architect discuss the new setting for the nation's heroes at a special evening opening of the gallery from 6.30pm. The Dulwich Picture Gallery, designed by Sir John Soane in 1814, was England's first public art gallery, and has a stunning collection of European art. Soane's task was to incorporate the tombs of the founders in a mausoleum which is part of the gallery. He created a wonderful

place with a sense of glorious living light around the paintings and a powerful air of the dark certainty of death. Until the 1960s there was no artificial lighting in the gallery, and the pictures could only be seen by daylight. Today the gallery needs more public facilities and the whole building is in need of careful restoration and gentle improvement. A new formal garden is planned as well, something that Mather - rare among practising architects for his deep understanding of plants and gardens - can handle with ease. Thankfully, the trustees have almost raised the funds to make England's first public gallery into its finest.

CONFERENCES & EXHIBITIONS

NOVEMBER 4 IBC's 12th Annual Company Report Conference. The world of financial reporting is always in a state of continuous flux. Join the 150-200 other participants at this established annual event and get updated on recent developments and get ready for likely changes for the next reporting season. November 11, Edinburgh. Ring Athina Bradley at IBC on 0171 637 4383. LONDON

NOVEMBER 4-6 Data Mining and Data Warehouse '96: Interaction of Information and Decision Technologies. The complex interaction of information and decision technologies and their application to business solutions are explored by NCR, IBM, SQL, ISL and SPSS, plus expert reviews and end-user case studies. Data Mining, Middleware, data cleansing, warehousing, BI/COLAP: how do they support the UK information and analytic needs of the corporate decision maker? UNICOM, 01893 256484, 01893 813095 email: stoc@unicom.co.uk. LONDON

NOVEMBER 6 Team Fusion - beyond the averages to the 2000s. The buying and selling of personal lines insurance has undergone dramatic change during the past few years with the phenomenal rise of direct insurers, and the introduction of banks and building societies own insurance products on the market. This one-day conference will consider the way ahead for a fast changing market. Contact: Harvey Dawson at PWT Conferences - Tel: 444 (0) 171 531 1449. Fax: 444 (0) 171 531 1111. Email: conferences@pwtlimited.com. LONDON

NOVEMBER 6-7 Supply Chain Management - The Challenge and Win! This course, from the UK's leading independent experts on planning and scheduling, will show you how to achieve an operational strategy that successfully addresses the needs of both your commercial and production departments. CONTACT SYNCHRONIZED MANUFACTURING Tel: 01635 552522 Fax: 01635 556853. NEWBURY

NOVEMBER 12 EVA: An Integrated Management Framework for Creating and Enhancing Shareholder Value. An intensive one-day executive seminar led by two of the foremost authorities on shareholder value, Joel Stern and G. Bonnet Stewart of Stern Stewart and Co. on the principles and applications of EVA. How to develop and implement a framework for financial management and executive compensation using Economic Value Added. Contact: Business Intelligence Tel: 0181 543 6565 Fax: 0181 544 9020. Email: roz.mcguinness@business-intelligence.co.uk. LONDON

NOVEMBER 14 Manchester Postgraduate Fair. Over 30 postgraduate study and training providers - universities, specialist colleges and leading business schools - will be represented at this Fair, which will be attended by students in their final year and recent graduates from throughout the UK who are considering postgraduate study. The exhibition will be accompanied by a series of talks on postgraduate study and funding. Contact: Jan Hewitt Tel: 0161 275 2828 Fax: 0161 275 2830. Email: jhewitt@man.ac.uk. Full list of exhibitors on web site: http://www.man.ac.uk/conferences or 0161 275 2727 from 1 November. MANCHESTER

NOVEMBER 18 Limiting the Liability of Partners. Now is the time to put in hand strategic plans to help mitigate both the litigation risks and the normal commercial risks inherent in running a professional practice today. For a clear analysis of the problems, practical solutions and planning opportunities. Contact: Susan Truman on 0171 637 4383. LONDON

NOVEMBER 18-19 The 13th Asia-Pacific Tax Conference. Practical Problems of International Taxation, and some suggested solutions. In-depth programme focusing on tax and investment issues of relevance to the Asia-Pacific region. Essential for tax advisers from international accountancy and law firms, tax professionals from multinationals with locally-based operations. Presented by the International Bureau of Fiscal Documentation, Amsterdam. Contact: Ma Martin van der Weg, IBFD International Tax Academy Tel: +31-20-626-7726 Fax: +31-20-620-9999. SINGAPORE

NOVEMBER 19-20 Data Warehousing 96. Europe's premier conference and exhibition devoted to data warehousing and related issues. The multi-track conference explores critical, technical, organisational and business success factors, including world-class speakers and case studies from the US, UK and Europe. Contact: Business Intelligence Tel: 0181 543 6565 Fax: 0181 544 9020. Email: roz.mcguinness@business-intelligence.co.uk. LONDON

DECEMBER 3-4 Knowledge Management 96. Europe's first conference and exhibition focusing on methods, techniques and systems that will help companies turn knowledge management into a corporate resource for generating business advantage. Contact: Roz McGuinness at Business Intelligence Tel: 0181 544 9020 Fax: 0181 544 9020. Email: roz.mcguinness@business-intelligence.co.uk. LONDON

DECEMBER 4-6 VENTURE FORUM EUROPE '96. This year's Forum - the seventh in a series arranged by FT Conferences and Venture Economics - brings together expert speakers to discuss the latest developments in the European venture capital marketplace. Subjects include: fund raising; managing the European portfolio; exits and IPO markets in Europe. Enquiries: FT Conferences Tel: 0171 896 2635 Fax: 0171 896 2695. LONDON

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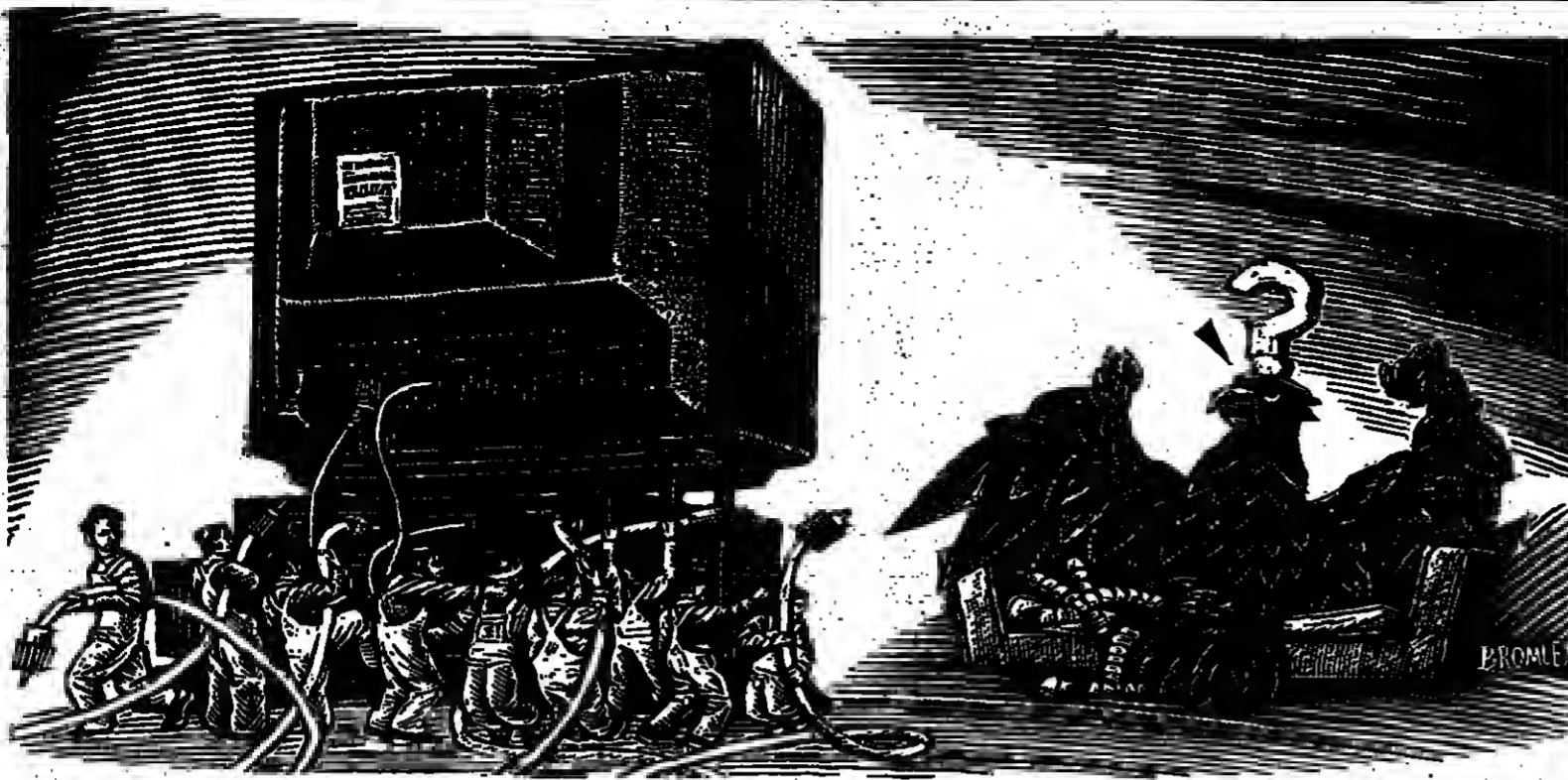
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Small... Com... Court...

مكتبة الامير



Small screen, big ambitions

Deutsche Telekom is poised to move in on pay-TV, writes Frederick Stüdemann

Following the developments in German digital pay television is a bit like watching a fevered version of musical chairs. As the music stops, so a new order is revealed, with previously underrated participants elevated to prominence and erstwhile favourites thrown out of the game.

In the latest round of developments, Bertelsmann, the grandest name among Germany's big media companies, last week announced it was retreating from pay-TV altogether. And Deutsche Telekom, the state-owned telecoms company which will be partly privatised in November, progressed from being a secondary player to one of great prominence.

Bertelsmann said it had decided to delay indefinitely the launch of Club RTL, a digital pay-TV channel, because the whole pay-TV market in Germany had become "hopelessly overrated". That may be true. Given the range of Germany's existing free-TV sector and the difficult time

Premiere, the country's sole subscription channel, has had establishing itself, analysts think it will take about 10 years for pay-TV to break even in Germany.

Another factor was the decision of Telekom to withdraw from MMBG, the digital pay-TV venture in which Bertelsmann was also a shareholder. As it is almost certain that MMBG will not now go ahead, Telekom's move has brought to an end part of the battle between Bertelsmann and the Munich-based Kirch Group, which launched its digital pay-TV service, DF-1, in July.

Telekom has made it clear it sees itself as the vital link in the digital pay-TV market. The reason lies in Telekom's cable television network. This serves 16m of Germany's 32m households.

The importance of cable is made clear in a recent report by Hypo Bank. This says 60 per cent of German viewers receive their television via cable, with satellite and traditional serials supplying the rest.

Although Telekom owns most of the cable lines, the majority - 11m - of "last mile" connections to homes are made by private sector cable companies, led by Veocom, a unit of the Veon utility company, which has 1.2m cable customers. Telekom is negotiating with the private companies over a common future strategy.

At present, some 30 TV channels are available on cable. Besides Premiere, these are all free-to-air and come either from the public broadcasting networks, such as ARD and ZDF, or the commercial networks, such as Bertelsmann's RTL or the Kirch-controlled SAT-1.

But Telekom is in the process of digitalising the network and says that by next year it will be capable of carrying as many as 150 channels. As such, the cable network will be the essential medium of distribution for pay-TV companies. "The broadcasters need cable for digital pay-TV because that is the best way to reach the

viewers," says Friedrich Schellmoser of Hypo Bank.

The importance of cable is well understood in Germany. What is new is that Telekom has decided to take a more defined stance in marketing its asset. Until now, the company was content to be part of alliances with broadcasters, originally in a venture with Kirch and Bertelsmann which was blocked by Brussels on competition grounds, then with MMBG.

"Now we want to be a neutral network operator," says a Telekom spokesman. "All broadcasters can have access to the network. We have an autobahn and we now want to see as much traffic on it as possible."

The price of access has yet to be determined. Telekom has also suggested it may decide to position itself as a US-style cable company which offers broadcasters free access, then markets a package to fee-paying viewers.

Telekom also wants to establish a single technological standard for decoding digitally broadcast signals,

one of the main issues of conflict between Bertelsmann and Kirch. The choice is between the Irdito and Seca systems, both of which are ultimately owned by Canal Plus since the French company's recent merger with NetHold, the pan-European broadcaster which owned Irdito. In Germany the Irdito is held by Kirch. MMBG intended to use Seca, which is used by Canal Plus in France.

If Telekom's strategy proves successful, it will bring much needed order to the German pay-TV market. On one side will stand Telekom and the private-sector cable networks; on the other, the broadcasters.

It will also boost one of Telekom's loss-making activities. And in combination with Telekom's traditional telephony network it will secure the company a position in the emerging multimedia business which requires the huge data capacity offered by cable and the "talk-back" agility of old-fashioned telephone lines.

Tim Jackson

Cable comes of age



Fremont, a Silicon Valley community on the unfashionable eastern side of San Francisco bay, has not yet made much of a mark on the world. But the town is destined to go down in history as the birthplace of a technology that will bring dramatic change to publishing, telecommunications and working habits all over the world.

That technology is Internet service via television cable, launched commercially a week ago by @Home, a joint venture between TCI, one of America's leading cable companies, and Kleiner Perkins Caufield & Byers, one of Silicon Valley's leading venture capital firms.

At first sight, it may seem hyperbolic to make grand claims for what is, after all, no more than Internet access through the same fibre optic cable that is used to deliver hundreds of channels of televised pay to 90 per cent of US households.

But this is Internet access with a difference. For a set-up charge of \$150 (\$96) and a rental of \$34.95 a month, @Home's customers will be able to receive data at 10 megabits per second, more than 300 times the bandwidth of the current 33.8 kilobit connection that is the state of the art in residential Internet service.

In practice, this means Internet users who used to sit at a screen for minutes at a time drumming their fingers waiting for a Web page will now see the same page arrive in the blink of an eye. Large files that previously took more than an hour to download will appear in seconds. And because there is no per-minute charge, people will be able to leave their cable connections switched on for 24 hours a day.

Judging from the biographies on its home page (www.home.net), @Home

has a management team that is among the best and the brightest. Yet even with this advantage, the commercial service has started some seven months behind schedule. This is partly because the interface between TV cable networks and the Internet is a tough technical job. It is also because @Home, the developer of the technology, is not a cable company.

Its service will be sold through the cable industry. As well as TCI, Comcast and Cox are shareholders, creating a consortium that accounts for more than 40 per cent of the cable customers in the US. The spread of the service depends on the ability of local cable companies to upgrade their infrastructure to offer Internet access.

By the end of this year, only a handful more towns will be able to use @Home. Indeed, according to Tom Jermoluk, @Home's chief executive officer, it will be the turn of the millennium before even half the homes in the US have cable Internet access. With capital costs to the cable companies of \$2,000 per household, taking six years to recoup, the big worries are financial rather than technical.

Mark Andersen, author of an influential online newsletter, believes the cable companies' cashflow may not allow them to meet demand. Yet the long-term significance of the service is beyond doubt.

First, the rollout of cable connections will provide a practical outlet for new Internet technologies such as Java, Shockwave and Director, all of which perform far below their potential through the narrow pipes to the Internet that are today's standard. The arrival of Internet cable will turn the Internet into a medium for information and entertainment that makes TV seem drab, impersonal and static.

It will also raise the barriers to entry in the Internet business. At present, the

need to restrict content to what can be squeezed down a phone line makes it hard for big companies to differentiate their offerings from those of home enthusiasts. In future, people will know if you're a one-man band; they will realise this because your Web site will look like a home-printed newsletter compared with the glossy magazines and scope of the conglomerates.

The second big effect of Internet cable will be to change the economics of the phone business. Most existing Internet service providers will be driven out of business over the coming decade, as consumers switch from copper-wire connections through the phone system to fibre connections through cable.

Telephone companies will see their ambitions in value-added services and video-conferencing crumble to dust. Internet-based voice services will take the fall out of international call margins, and ISDN will rapidly go the way of the eight-track stereo.

But it is the third effect of Internet cable that will be the biggest. @Home has set up an entire product category to link homes to workplaces via cable. As a result, staff will be able to work from home with access to the corporate computer network, indistinguishable from what they would see in an office. The service will probably start at about \$800 a year. This low price, and the psychological effect it will have on business people in the industrial world, is likely to accelerate the trend of employing people from home.

The joke people used to make about cable was: "500 channels and still nothing to see." Who would have guessed that cable TV, one of the alleged symptoms of the decay of our society, could provide the means for something that has the potential to do so much good? And in Fremont, of all places?

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The Net gets down to work

A global problem will be addressed online, says Stephen McGookin

An ambitious Internet-based project to study the changing role of employment in Britain was launched last week. The project - Redefining Work - sponsored by the Royal Society for the Encouragement of Arts, Manufactures and Commerce and IT consultancy Cap Gemini, is a moderated online debate which for the next 18 months will address key employment issues. The debate can be accessed at <http://rsa.capgemini.co.uk>

Frue Leith, chairman of the RSA, says it is the first debate of its kind on a significant policy issue to use the Internet in such a formal way. The project would be using "the power of the world's most modern technology to discuss one of the world's most pressing problems". Although the debate is concerned

with UK employment issues, the nature of the Internet means contributions from anywhere in the world can be considered.

The starting point for the debate will be key propositions covering job creation, the definition of "work" and the relationship of technology to employment - codified by Neil Hartley, a senior manager at NewWest - and RSA material such as the text of lectures by Andrew Dilnot, director of the Institute of Fiscal Studies, and contributions from journalists Polly Toynbee and Will Hutton.

While most contributions are expected to come from academic, government and business sources, the project hopes to attract the opinions of individuals and is making an effort to involve British secondary schools. Submissions will be moderated by

an ad hoc panel of experts under the auspices of the Economic and Social Research Council, whose main function will be to provide research data and monitor themes as they develop.

The project involves a pioneering use of the Internet, according to Charles Cox, executive director of Cap Gemini. He adds that the aim is to encourage wide participation. For this reason the site will adopt a text-based rather than a graphics-rich approach to design, to encourage those who might be accessing with slow modems. Detractors might view the project as an example of the "information rich" using technology to distance themselves from the "information poor". Alternatively, the project might just provide a glimpse of the Net's alleged potential for helping resolve deep-rooted global social problems.

Cyber sightings

- Project Children is an organisation that brings Catholic and Protestant children from Northern Ireland together for holidays in the US. Its impressive and clever Web site (www.interwebinc.com/children) has details of its activities and pictures of some of the children it has hosted. Well worth a look.
- To see how an individual can produce a Web site that is more effective and useful than many corporate

- efforts, take a look at Dr Ed Yardeni's Economics Network (www.yardeni.com). Yardeni is chief economist at Morgan Grenfell in New York and his site is an excellent finance and business resource.
- Navis Pacific (www.navis.com) is a useful starting point for research and intelligence on the Asia-Pacific financial markets. It has details of events, economic forecasts and broader analyses of individual countries.
- The Chicago Board of Trade Recyclables Exchange has set up a site (<http://cbtr-recycle.com>) which provides information on the growth of recycling materials as commodities. You must register to use it.
- For a good, concise glossary of North American investment terms, check the Financial Center (www.ftc.com/fincenter.html).
- The UK Electronic Commerce Association site (www.ecc.org.uk) has information on developments in this fast-growing area, as well as events listings and a good set of links.
- The European Bank for Reconstruction and Development site (www.ebrd.com) provides a good in-depth overview of its activities in the former eastern bloc. Worth the effort, although it is very graphics-heavy, so loads a bit slowly.
- Nafteportiki, the FT partner newspaper in Greece, will publish the full

results of yesterday's Greek general election in English on <http://www.hol.gr/nafteportiki>

Just when you thought you could happily get by without knowing what a doppler radar picture was, along comes the Weather Channel site (www.weather.com), featuring nifty seven-day forecasts and dinky graphics. Be warned: it can become addictive. steph.mcgoekin@ft.com

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BUSINESS TRAVEL

Travel News - Roger Bray

Comfort criteria

Are airlines wasting money on expensive in-flight entertainment? A survey by the International Air Transport Association suggests that those with the most sophisticated entertainment systems gain a clear competitive advantage. But in a recent poll, readers of the UK's Business Traveller magazine ranked them low among priorities.

Their top five criteria were: convenient scheduling (83 per cent), punctuality (81 per cent), safety (68 per cent), speedy check-in (58

per cent) and the carrier's route network (57 per cent). Entertainment was 13th on the list.

Least cynics imagine that business travellers would never admit to watching inflight movies, only 1 per cent said they wanted fax machines and telephones on planes.

Mandarin tops poll

Hong Kong's Mandarin Oriental was voted the world's top hotel in the same magazine survey. The Sheraton at Paris Charles de Gaulle airport was

tapped as best new business hotel. And Singapore's Changi was named favourite airport.

Despite efforts to improve its facilities, there were loud raspberries for New York's JFK, voted worst in five categories: incoming passport control, customs clearance, personal safety, luggage retrieval and duty-free shopping.

Tashkent hotel

Forte has taken over management of a hotel in Tashkent, capital of Uzbekistan. It claims that the 315-room property, formerly under the ministry of tourism, will be the first

in the city to be run by an international company.

Recently acquired by Indonesia's Bakrie Group, it is now part of Forte's Meridien chain. The hotel, which has an outdoor swimming pool and health club, is undergoing a \$3m (£2.87m) facelift.

Argentina alert

Crime is on the increase in Argentina, warns the UK's Foreign Office. Bag-snatching and armed robberies are a hazard in Buenos Aires: on the street, in taxis, even in restaurants.

Travellers should hail moving taxis rather than

use those waiting at the kerbside; avoid poorly lit areas at night; and avoid wearing ostentatious jewellery or carrying a lot of cash. If you are confronted by robbers, don't put up a fight.

New cyberguide

Finding the most convenient hotel in Europe no longer demands a trawl through guidebooks.

A new PC-based travel planning gadget, HotelDisk, from OAG, part of Reed Travel Group, allows you to call up maps showing sections of the European cities or towns you'll be doing business in, and view

a range of...

The European... covers 15,000 hotels in towns and cities in 49 European countries. You could pinpoint the nearest hotel to your facilities and... special deals... has already... America and... Hotel lists... quarterly and... more than... A UK... per year (plus... per year (plus... three editions.

Advertisement for Amman travel services. Includes a grid of destinations: BERUT, DAMASCUS, and a phone number 0345 320100.

Contrary to assumptions, Eurostar, which runs high-speed trains between London, Paris and Brussels via the Channel tunnel, proved that the train can beat the plane at international business travel.

Now it is set to challenge another travel industry assumption - that trains should offer only two classes of service. Over the next four months Eurostar will increase its product offerings to four.

From October 1, the old first class will be divided into Business First and Premium First. Early next year, Standard Class will also be divided, with one section retaining the name Standard and the other probably being renamed Economy Plus.

Both the new first classes will also offer the separate 10-minute check-in and frequent traveller points. And passengers will be able to change their departure times by telephone in the UK and France. Previously, they had to buy new tickets and apply for a refund on their unused fares - a rule which caused much gnashing of teeth.

In addition, passengers in both new first classes will receive a free standard-class ticket each time they travel. As their names suggest, Business First and Premium First are being shaped to make them comparable to business class and first class on airlines. Jan Brooks, Eurostar's executive commercial director, says that Business First will be similar to the old Eurostar first

Farewell to the classless society

Eurostar's new products are set to challenge the airlines, says Amon Cohen

move up to the new Economy Plus, where the return fare will be £185. Economy Plus will use normal standard-class seating, but Eurostar has assured its public that this class will be free of screaming children.

Additional benefits will include a new 10-minute check-in, and the operator is also considering throwing in a complimentary drink. No meal will be served but, unlike Standard class, Economy Plus passengers will be able to earn points in Eurostar's forthcoming frequent traveller scheme.

However, most of the extra benefits of Premium First will be outside the train. These include complimentary taxi transfers (or, in London, a chauffeured motorbike), free car parking for those joining the train at Ashford in Kent, and use of Eurostar business lounges at all destinations.

Also, only Premium First travellers will be able to exchange their tickets for a flight with British Midland to and from Paris and Brussels. Eurostar is talking to other airlines about making tickets exchangeable, and British Airways is likely to be the next to sign an agreement.

Eurostar has also revealed more details of the frequent-

class, with one main exception.

"The biggest complaint we get is that the meal takes a long time to be served," he says. "One of the main reasons people choose us instead of an airline is that Eurostar gives them time to work, so it makes sense for us to speed up the meal service by putting it all on one tray."

Superior catering is one reason why it will cost nearly £100 more to travel in Premium First than in either economy class. The menu for this luxury service has not been settled, but Brooks says it will include canapés and champagne.

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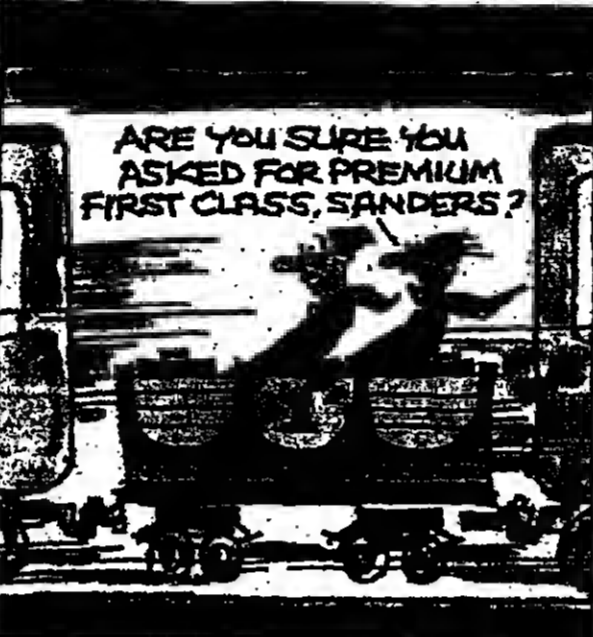


Table titled 'Eurostar fares London-Paris return'. It lists Standard class (£205), Economy plus (£185), Business First (£295), and Premium first (£382).

traveller scheme which will be launched in November and will be heavily associated with the Virgin Freeway loyalty programme. The Virgin Group is part of the London and Continental Railways consortium which bought the Eurostar franchise earlier this year.

including wider seats, a better meal service and separate business-class lounges.

Perhaps most significant of all in terms of finding an answer to the 10-minute Eurostar check-in, British Midland is also set to introduce self-service machines. These will enable business travellers to collect and purchase tickets, check in and select their own seats.

However, with Eurostar hoping to double its passenger numbers over the next two years, British Midland realises that London-Brussels and London-Paris can no longer be viewed as the cornerstone of its route network. It has launched services to Prague and Zurich in recent months, and more far-flung destinations can be expected shortly. "We are developing routes deeper into southern and eastern Europe and further away from the Channel tunnel," says the airline.

Air France is also introducing self-service ticket machines. It has them at Paris Charles de Gaulle, and London Heathrow is being considered.

Its other plan is to reduce capacity on the Charles de Gaulle-Heathrow route by using smaller aircraft - but to increase frequency. Accordingly, departures will rise from nine to 11 per day this winter. The French flag-carrier, which already flies from London City airport to Paris Orly, is also introducing a service to Charles de Gaulle from London City on October 27.

Happier landings in London

As a general rule, travellers should never allow their bags out of sight unless there is no alternative. But even wise old birds may be tempted by United Airlines' latest offer.

The US giant at last opens a dedicated arrivals lounge at London Heathrow on October 1 - with a promise to deliver luggage anywhere in the capital. That would allow passengers to taste the delights of the Piccadilly Underground line unencumbered.

United had been unable to acquire space at the airport and used rooms in the nearby Forte Crest hotel as a substitute arrivals lounge while arch-rival American coaxed customers in Terminal Three.

Passengers at the new lounge will be able to have their clothes pressed and shoes cleaned, have breakfast and a shower, and use business facilities including modem-equipped phones. On the same day, the airline opens similar facilities in Chicago and Miami.

Roger Bray

Large advertisement for Cathay Pacific featuring the slogan 'GENTLE TOUCH' and the text 'The Heart of Asia.' The ad includes the Cathay Pacific logo and a stylized image of a bird in flight.

Vertical text on the right edge of the page, including 'OPENINGS', 'Frid', 'B', 'A', and 'ARTS GUIDE'.

protest
ands

OPENINGS



ARTS

FRISBEE
The second Asia-Pacific Festival of Contemporary Art opens on Friday at the Queensland Art Gallery, where it will run for four months. More than 70 artists from 17 countries are represented in the show, which is intended to increase awareness of contemporary art in the region.

DISSEMINATION
The first of a series of events to mark the 100th anniversary of the birth of the composer Gustav Mahler will be held at the Royal Opera House, London, on September 25. The event will feature a performance of Mahler's Symphony No. 1, conducted by the composer's grandson, Gerd Altmann.

Duke Ellington's jazz version of Tchaikovsky's *Les Patineurs* completes the triple bill, which opens on Thursday and will subsequently tour.

ROMAN
A century of Austrian art is being displayed at the Kunst- und Ausstellungshalle in Bonn. It comprises nearly 400 paintings, drawings and sculptures, including renowned works by Klimt, Schiele and Kokoschka, and examples of postwar Austrian art.

Friday dawns in Leipzig

David Murray on the latest part of Stockhausen's seven-day cosmic cycle

Behind the Iron Curtain for too long, Leipzig has been almost forgotten by westerners, even West Germans. Yet it is an ancient and venerable city, proud of its associations with Leibniz, Goethe, Lessing and Schlegel, and unlike Dresden, it more ornate neighbour on the Elbe, it suffered only moderate damage from wartime bombs. Bach's Thomaskirche still stands, and outside it his leonine statue, for which Mendelssohn organised the funding.

The huge Auerbach cellar, immortalised in Goethe's *Faust*, is in excellent nick; one eats and drinks very well there now, undistracted by bawling medieval students. In fact much of the *Innerstadt* remains, though the antique bourgeois pomp is interleaved with faceless postwar buildings. Just one needle-like skyscraper, a university tower from the 1960s, pokes up absurdly from its mellow, picturesque surroundings. Anyone enamoured of Sir Norman Foster's latest project for the city might visit Leipzig to contemplate the effect.

At present Leipzig is a vast building site, for federal money is being poured into a general refurbishing. The central Augustus Platz, with the 1960 opera house at one end and the new Gewandhaus home of Leipzig's great orchestra at the other, has been dug up for installing an underground car-park. In a year or two, the city will be handsome again. Meanwhile the Gewandhaus and the Oper Leipzig continue to do excellent business.

I heard the Gewandhaus Orchestra and its conductor Kurt Masur play Bartók and Bruckner, revelling in the superb acoustic

of their hall. In Bartók's *Divertimento*, the Leipzig strings had a sharper bite and pounce than Solti had drawn from the Vienna Philharmonic at Salzburg last month. And Bruckner's Third Symphony sounded wonderful: chaste, lovely woodwinds, brass of refined density, sonorous curtains of strings. Masur's structural grasp ensured revelations: this was the richest, most potent Third in my experience.

At the other end of the Platz, the Intendant Ugo Zimmermann has been doing brave and remarkable things with the

love, and miscegenation too. Half the cast is blacked-up, in rampantly non-p.c. style. The soprano Eva (Angela Tunstall, fragile and beautiful), is pressed by the black bass Ludon (Nicholas Isherwood), an "emanation" of Lucifer, the star of *Scansino*, to conceive a child with his son Kaino (Jürgen Kurth). At the start of Act 2 she succumbs to him, in a long, chromatic duet which has *Tristan* somewhere behind it.

Meanwhile a chorus and stage orchestra of sailor-suited white children (there is no other

dozen pairs of dancers) materialise from time to time: from trapdoors, on revolving peepshow turntables, in suspended metal balloons. They represent male/female pairs: man/woman, dog/cat, rocket/moon, racing driver/racing car, drug syringe/naked arm, pencil/pencil sharpener (a real *caprina dentata*, that), ice-cream cone/female mouth, violin bow/violin and so forth. Witty, highly pornographic costumes by Johannes Conzer, who also did the sets and lighting; choreography by Johannes Bönig. (The first run of *Freitag* ended yesterday, but it may be revived next spring.)

Ultimately, though, Stockhausen is responsible for everything. He vets every detail obsessively. The all-electronic score (with bursts of *musique concrète* in Act 2 when the couples begin to switch partners, with bizarre results) permits him the total control he wants. Spacey and infinitely slow, it surrounds the audience and invades it, meditating on single notes and glacial chord-transformations; it even commands the foyer, before the opera and after, with a long "greeting" and "farewell".

About Stockhausen's megalomaniac pretensions I make no comment (though his current plan for erecting seven different buildings, in which *Licht* will be performed in perpetuity, does seem a bit OTT). But the musical "language" he has developed, from *Musik im Bauch* and his Zodiac pieces for music-box to the *Kinderorchester* of *Freitag*, is astonishing and weirdly beautiful - not quite total and yet tonally based, deceptively simple, robustly plain. I have no idea how he does it; the fantastically elaborate calculations he uses are surely only half of the story.

'Freitag' is as loopy, original and fascinating as its predecessors

Opera. The latest was the premiere of Karl-Heinz Stockhausen's *Freitag* (Friday), fifth in the colossal seven-days-of-the-week cycle *Licht* that he has been composing since 1977. *Donnerstag* was seen at La Scala and Covent Garden, *Samstag* in Milan's Palazzo dello Sport, *Montag* at La Scala again; then Leipzig bid for *Dienstag*, and staged it in 1993. Five down, two to go: Leipzig is planning *Mittwoch* for 1999, and *Sonntag* will appear somewhere early in the new millennium.

Freitag is as loopy, original and fascinating as its predecessors, though like *Dienstag* it is relatively short, less than three hours. The manufacture of Stockhausen's cosmic myth goes on, this time with Eva (live) again its central protagonist, as in *Montag*. *Montag* was - I think - chiefly about birth and children; I recall vividly the masses prance on the Scala stage. *Freitag*, appropriately for its day, is about

orchestra: electronics supply all the musical support) have encountered a tribe of black children with African instruments. First, playfully, they sing and perform at each other; later in Act 2, they start a war in which the black kids avoid defeat only by wheeking on a fire-breathing pink rhinoceros. At last everybody - including Eva - agrees to "repent" (without much conviction), and a "choir spiral" sings from within a giant candle-flame.

Those are all the dramatic events, and they transpire very slowly. Eva is usually accompanied by two other principals who do not sing, but offer comment, advice and support on flute and bass-horn (Kathinka Pasveer and Suzanne Stephens, members of the composer's strange extended family) whilst dancing about her. True, yes, but Stockhausen's musical inventions for them are enchantingly fresh. Above and around them, a

Thoughtful dignity of Russian pianist

At least four of the other finalists had striking virtues too, barely commensurable.

For the jury, settling on a final placing - and taking into account everybody's earlier performances in the competition - must have been a tricky, partly intuitive business. As for Babkenian, choice of *Rhapsody* too (like Sa Chen, who sparkled predictably), and he brought a demonic energy to some passages that made him sound pale; but a trivial memory lapse, though well covered up, seemed to leave him chastened in the later stretches. I thought his semi-final recital had been more consistently impressive than Ilin's, and showed authority in a greater range of styles.

Aleksandar Madzar, whose semi-final had displayed a wonderful command of colour but not much vitality, sprang to life in Prokofiev's Third Concerto: dazzling and searching, it was surely the outstanding finale performance. In Rakhamaninov's Second Concerto, Ekatarina Apeltshew's polished performance suffered from her way of being expressive, which here always meant drooping behind the beat.

It was a foregone conclusion that in the same work Roberto Cominati would trump her, leading the orchestra imperiously instead of following it - though he rarely infected the melodies, preferring to channel "expression" into his flexible, artfully

gauged rhythms. If you waved a label that said "speed merchant" anywhere near Cominati or Babkenian, it would stick; but in the semi-finals, Cominati's brilliance in Schumann's *Corydon* and some unshowy Debussy had been far more than digital. He plays almost anything with superb, unruddied assurance; his technique seems to be seamless, whereas with Babkenian the mechanism is always visible.

All praise to the conductor Simon Rattle and his City of Birmingham Symphony, whose accompaniments for the concert were miracles of close sympathy and unflinching support. Praise to the BBC and its two commentators too, Howard Goodall and the perceptive, practical Iain Burnside: one could hardly imagine the competition more expertly and lucidly presented.

DM



Peter Rose and Matthias Holle as the giants with John Tomlinson's Wotan

Das Rheingold/Richard Fairman

Return of the Rhinemaidens

The Michelin girls are back in town. The fat, flubbery Rhinemaidens who have become the most memorable image of this *Ring* cycle took to the stage again on Saturday, looking every bit as though they had just rolled out of a trendy tyre advertisement. This will be the first time that the Royal Opera's new production of Wagner's *Der Ring des Nibelungen* has been seen in its entirety. The individual parts were introduced over a period of 18 months, when they made a lot of people very angry. A man a few rows along from me shouted something rude during this performance but at the end the reception was fairly enthusiastic.

Coming to it for the first time, I would guess that *Das Rheingold* suits the off-beat talents of Rich-

ard Jones and Nigel Lowery, the producer and designer, better than the later operas. Other recent productions, including the current one at Bayreuth, have found irony in it. The difference with Jones is that he has a punkish humour, like a naughty boy who does not know when to stop.

The most annoying aspect is the ram characterisations that the singers find hanging in the dressing-room wardrobes when they arrive. Fricka is a wife, so the fine Jane Henschel has to play her in a wedding dress. Matthias Holle and Peter Rose, as the giants Fafner and Fasolt, hobble about in a single suit like Siamese twins. Do not ask me why Erda is a ballroom dancer, but Catherine Wyn-Rogers sang her solo without plummage.

In fact, take the costumes away - the Rhinemaidens are already in their plastic birthday suits -

and this would be a far less silly production. It has humour, vitality, some insight, and at least two outstanding performances. As Wotan, John Tomlinson seems even more titanic than before, singing with enormous force and projecting a personality of rapacious ambition. The scenes between him and Philip Langridge's sharp dealer of a Loge are Wagnerian opera at its most vivid.

For them, for some of the other singers and Pat Collins's striking lighting of Lowery's modernist designs, this was an enjoyable beginning to the cycle. Add Bernard Haitink's conducting and the plus points are well in the ascendant. But more of that anon. *Die Walküre* is not until next Monday and the whole of this first *Ring* cycle (there are two more to come) is spread over three weeks.

INTERNATIONAL ARTS GUIDE

- AMSTERDAM**
EXHIBITION
Rijksmuseum Tel: 31-20-6732121
● Nederlandse wapens uit Rusland: this exhibition features 17th century Dutch fire arms from the imperial armoury at the Kremlin in Moscow. The weapons were given to the Russian tsars by the Dutch; to Sep 29
- BALTIMORE**
EXHIBITION
Baltimore Museum of Art Tel: 1-410-396-6300
● Andrew Wyeth: America's Painter: this exhibition features 50 works - all but one loaned by a single collector - by the American artist Andrew Wyeth. Included in the exhibition are still lifes, landscapes, portraits, nude figure studies, and interiors; from Sep 25 to Feb 16
- BERLIN**
CONCERT

- Konzerthaus Tel: 49-30-203090
Berliner Sinfonie-Orchester, with conductor Michael Schnorrwandt, pianist Homero Franco and mezzo-soprano Mette Eising perform works by Wagner. Part of the Berliner Festwochen; 8pm; Sep 26
- Staatskapelle Berlin: with conductor Hugh Wolff and pianist Bruno Leonardo Gelber perform works by Beethoven, Brahms and Ravel; 8pm; Sep 24, 25
- Philharmonie & Kammermusikszene Tel: 49-30-2614383
● Guarnieri Quartet: with viola-player Kim Kashkashian, perform works by Brahms and Fauré; 8.30pm; Sep 25
- OPERA**
Kornische Oper Tel: 49-30-202600
● Die Fledermaus: by J. Strauss. Conducted by Yakov Kreizberg and performed by the Kornische Oper. Soloists include Dagmar Schellenberger, Tatjana Korovina, Günter Neumann and Klemens Slowoczki; 7.30pm; Sep 28
- BIRMINGHAM**
CONCERT
Symphony Hall Tel: 44-121-2020000
● City of Birmingham Orchestra: with conductor Sir Simon Rattle, soprano Elena Prokina and bass, Michail Ryssov perform works by Bruckner and Shostakovich; 7.30pm; Sep 28
- BRUSSELS**
THEATRE

- Koninklijke Vlaamse Schouwburg Tel: 32-2-2194944
● Les Paravents (The Screens): by Genet. Directed by Rik Hancié and performed by the Koninklijke Vlaamse Schouwburg (in Dutch). The cast includes Muriel Kuyper, Anja van Riet, Tom van Bauwel and Joeri Hancié; 8pm; Sep 26
- CAMBRIDGE**
EXHIBITION
Fitzwilliam Museum Tel: 44-1223-332900
● John Downman (1750-1824): Landscapes, genre and portraits of "rank and fashion": this exhibition includes a selection of John Downman's portrait drawings, studies of children and animals, and figure drawings. Also on display is a group of watercolour landscapes of Rome and its surrounding countryside, painted during Downman's visit to Italy in 1773-74; from Sep 24 to Jan 31
- COLOGNE**
CONCERT
Kölner Philharmonie Tel: 49-221-204920
● Vogler Quartet: perform works by Haydn, Ligeti and Smetana; 8pm; Sep 26
- COPENHAGEN**
CONCERT
Tivoli Concert Hall Tel: 45-33 15 10 01
● Danish National Radio Symphony Orchestra: with conductor Györgi Fischer and mezzo-soprano Cecilia Bertoli

- perform works by Mozart and Rossini; 8pm; Sep 26
- HELSINKI**
DANCE
Opera House Tel: 358-0-403021
● Don Quixote: a choreography by Patrice Bart after Petipa to music by Minkus, performed by the Finnish National Ballet. Soloists include Jessica Keligren, Juhka Kirjonen and Jorma Uotinen; 7pm; Sep 26
- LEIPZIG**
CONCERT
Gewandhaus zu Leipzig Tel: 49-341-12700
● Gewandhausorchester: with conductor Dmitri Kabajev, and violinist Isabelle van Keulen perform works by Lyadov, Shostakovich and Prokofiev; 8pm; Sep 26, 27
- LONDON**
CONCERT
St. John's, Smith Square Tel: 44-171-2221061
● Mass in E minor: by J.S. Bach. Performed by the King's Consort, the Tölzer Knabenchor and The Choir of the King's Consort with conductor Robert King. Soloists include tenor Anthony Rolfe-Johnson and bass David Wilson Johnson; 7.30pm; Sep 25
- Wigmore Hall Tel: 44-171-9352141
● Loraine McAlan and Nigel Clayton: the violinist and pianist perform works by Dohnányi, Walton and Rózsa; 7.30pm; Sep 24

- EXHIBITION**
National Gallery Tel: 44-171-7472885
● Now we are 64: Peter Blake at the National Gallery: in August 1964, Peter Blake became the third National Gallery Associate Artist with a brief to produce works inspired by the paintings in the Gallery's collection. This exhibition features works created or completed by Blake while at the Gallery. Included are his series of paintings "Madonna of Venice", showing contemporary Californian scenes that include images of the Virgin and Child taken from paintings by Old Master painters such as Bellini and Correggio; from Sep 25 to Jan 5
- NEW YORK**
EXHIBITION
The Pierpont Morgan Library Tel: 1-212-685-0008
● Seeking the "Splendid Mystery": Presidential Races from Washington to Truman: this exhibition offers an overview of presidential elections in the United States from the time of George Washington to Harry S. Truman. Campaign pamphlets, broadsides, engravings and private letters of winners, losers, and observers document some high and low points in the history of American elections. The exhibition also traces the development of political parties, contested elections, and the expansion of the vote to African-Americans and women; to

- Jan 5
- PARIS**
OPERA
L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99
● La Bohème: by Puccini. Conducted by Mark Elder and performed by the Choeurs et l'Opéra National de Paris. Soloists include Franco Farina, Franck Leguérinel and Nuccio Focile; 7.30pm; Sep 24
- SAN FRANCISCO**
CONCERT
Louise M. Davies Symphony Hall Tel: 1-415-864-8000
● San Francisco Symphony: with conductor Michael Tilson Thomas perform works by Weber, Mahler and Stravinsky; 8pm; Sep 25, 26 (2pm) ; 27
- VIENNA**
OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Capriccio: by R. Strauss. Conducted by Peter Schneider and performed by the Wiener Staatsoper. Soloists include Felicity Lott, Margaretha Hirtzmeier and Peter Weber; 8pm; Sep 25
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COMMENT & ANALYSIS



Michael Prowse • America

Monetary vigil

Fed chairman Alan Greenspan should ignore the siren voices telling him that the battle against inflation is won

Tomorrow's meeting of the US Federal Reserve could prove of historic importance. If governors and regional presidents vote to raise interest rates modestly, they will be sending a strong signal that the US is committed to maintaining permanently low inflation. If they do nothing, the safest conclusion may be that US inflation will begin to drift higher in coming years. Mr Alan Greenspan and colleagues will have shown they lack grit. They will have bowed to pressure from politicians and academics to pursue a more "expansionary" policy.

The case for raising rates modestly is perfectly clear. Mr Greenspan has rightly argued on numerous occasions that Fed policy must be designed to act preemptively. The central bank must "look beyond current data readings and base action on its assessment of where the economy is headed". The reason is simple: rate increases exert a restraining influence only with a considerable lag, often as long as a year to 18 months. The fact that most measures of inflation are at present subdued - the "core" rate of consumer price inflation, for example, recently dropped to 2.6 per cent - is irrelevant. What matters is the future outlook for inflation.

Since the beginning of this year, the Fed and other forecasters have been predicting an economic slowdown. There was even talk of slowing growth accelerated to an average annual rate of 3.4 per cent in the first half. In the second quarter, growth increased to an annual rate of 4.8 per cent - about twice as fast as the economy's long-term potential.

Fast growth has caused a rapid tightening of labour markets. Employment is growing about 30 per cent faster this year than last

year. The jobless rate has plunged from an average of 5.8 per cent last year to 5.1 per cent last month. This is far below estimates of the level of unemployment consistent with stable inflation - the so-called Nairu - which is reckoned to be about 5.8 per cent.

The fall in unemployment is having the expected impact on pay. Growth of average earnings has increased steadily for the past three years. The employment cost index (which includes fringe benefits) was up 3.2 per cent in the most recent quarter, compared with 2.6 per cent last year. Wages will receive a further boost this October when the national minimum wage is increased.

Opponents of rate increases will point to sluggish growth of retail sales as a sign the economy may slow naturally in the second half. But the retail sales figures are notoriously unreliable. Revisions frequently exceed the monthly changes. If domestic demand were really soft, would the US trade deficit be widening at an alarming rate? The July deficit of \$11.7bn (\$7.5bn) was one of the worst on record, and

other figures suggest no loss of economic momentum: housing starts, for example, rose 4.5 per cent last month to their highest level in more than two years. Is this a sign of an economy crushed by an excessively tight monetary policy?

The facts are these: wage pressures are mounting, the jobless rate is in the inflationary danger zone, and economic growth is far above its long-term potential. Growth might slow sharply in coming months. But given the lags in monetary policy, the question is whether it would be prudent for the Fed to rely on this happening. To their credit, the majority of the Fed's regional presidents apparently think not. A leak last week showed that eight of the 12 presidents are requesting an increase in the discount rate - five want a quarter-point increase and three a half-point increase.

The discount rate - now of largely symbolic significance - is controlled by the Fed's seven Washington-based governors. The requests for an increase from the regional presidents, however, are a sign that they favour an increase

in the federal funds rate, which is now 5.25 per cent. The federal funds rate is the benchmark for short-term rates throughout the economy and is under the direct control of the Fed's open-market committee, which meets tomorrow. The regional presidents command five of the 12 votes on the committee.

Tomorrow's decision - which everyone agrees is finely balanced - will depend largely on the stance adopted by Mr Greenspan, who has acquired tremendous authority in his nine years as Fed chairman. President Clinton's appointees on the Fed's board - Ms Alice Rivlin, the vice-chairman, and Ms Janet Yellen and Mr Laurence Meyer (both academic economists) - may argue that, with inflation subdued, the Fed can afford to wait a little longer to see whether the economy slows of its own accord. Some of the regional presidents will take the opposite line.

To justify a modest quarter-point increase in rates, Mr Greenspan does not even have to talk of tightening policy. He can simply argue that some of the recession "insurance" taken out in the past 18 months (three quarter-point cuts in rates) is now no longer needed. If it was right to lower rates last year when the economy looked weak, it is surely right to raise them now when it looks strong. If the economy does subsequently slow down, rates can easily be reduced again.

Politically, the easiest option for Mr Greenspan would be to postpone a decision on rates until after the election. But this would not be the most economically prudent decision. After nearly 20 years of struggle the US is on the verge of achieving "price stability". It would be tragic if the Fed threw in the towel just when success was within reach.



Greenspan's campaign against inflation

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Minister dented HK confidence

From Ms Emily Lau, Sir, Governor Chris Patten's tough remarks on the Chinese government's plan to set up a provisional legislature in Hong Kong to replace the Legislative Council ("Patten firm over HK legislature", September 16) contrasted sharply with the tepid remarks made by Mr Jeremy Hanley, visiting foreign minister responsible for Hong Kong.

Speaking to legislators on September 16, Mr Hanley refused to condemn the provisional legislature as a breach of the Sino-British Joint Declaration, even though the accord makes no reference to such a body. He also said the British government had not taken legal advice on the subject and would only consider doing so if and when the provisional legislature was formed.

Unlike Mr Patten's unequivocal rejection of the provisional legislature, Mr Hanley was more

circumspect, leaving the door open to possible co-operation with the body. This begs the question of who actually represents London's position.

The tactic of running with the foxes and chasing the hounds may be a hallmark of British diplomacy, but it goes down poorly with the Hong Kong people, who have become increasingly indignant and contemptuous of London's refusal to stand up for the colony.

Your report said China's plan to set up the provisional legislature "has emerged as the most serious remaining obstacle to a smooth handover on July 1 next year". This is not entirely correct.

Another issue which arouses more concern and unease is the selection of the chief executive of the Hong Kong Special Administrative Region, a process in which the Hong Kong people have no say at all. The formation of the 400-member selection

committee to "elect" the chief executive is a farce because everyone knows the choice will be made by Beijing and Beijing alone.

This has created a sense of powerlessness, frustration and resentment among many Hong Kong people, compounded by a sagging feeling that the colony's free lifestyle and the rule of law will be undermined in the years to come.

Further, many issues remain unresolved in the Sino-British Joint Liaison Group and they could affect a smooth handover. With 280-odd days left, Mr Hanley's shifty and lame responses to the many burning issues facing the colony do not inspire confidence.

Emily Lau, legislative councillor, Room 422 West Wing, Central Government Offices, 11 Ice House Street, Central, Hong Kong

Shift seat of power

From Mr Guy du Parc Braham.

Sir, Ian Davidson ("Showdown time", September 18) wonders how Tony Blair, as UK prime minister, could avoid the old rhetoric of "defending the national interest, national sovereignty and the balance of power" so as to be in a better position to forge compromises with the UK's European partners. One measure he or, for that matter, John Major could take would be to transfer overall (ministerial) responsibility for Europe from the Foreign Office to the Cabinet Office, where Whitehall's EU activities are already co-ordinated. Above all, this would:

- Correctly allocate control of European policy to those who bear the consequences of the deals, namely the home departments whose policies the Foreign Office compromises on their behalf and whose ministers end up negotiating the European legislation giving it effect.
- Send a clear message that the UK no longer regarded negotiations about the EU as "foreign" and the province of "foreign" specialists whose culture is all about the language of national sovereignty and the balance of power.

Guy du Parc Braham, 144 Strathville Rd, London SW18, UK

UK opt-outs contrary to founding vision

From Mr Stanley Crossick.

Sir, Malcolm Rifkind argued in Zurich against monetary union between only some member states because it would create an EU different from that envisaged by the founding fathers ("Rifkind revives Churchillian vision", September 18).

Does this speech herald a

fundamental change in British government policy? Does the government now accept the goal of political union and the original preamble and objectives of the Treaty of Rome? Or is this just advocacy *à la carte*, that is to say, pleading each case as it comes without the need for consistency? The UK's opt-outs at

Maastricht, and many of its submissions to the intergovernmental conference, are fundamentally contrary to the founding fathers' vision.

Stanley Crossick, Belmont European Policy Centre, 43 Boulevard Charlemagne, B-1040 Brussels, Belgium

Devaluation for whole of D-Mark bloc questionable

From Mr George Magnus.

Sir, Samuel Brittan claims a definitive solution to a controversy ("Right rate for the franc", September 12), by stating that it is not just France that needs a devaluation but the whole D-Mark bloc. To assert this begs two comments: it suffers from a realpolitik by-pass and is questionable on economic fundamentals.

The franc's real effective exchange rate has been broadly stable since the 1987 realignment while the D-Mark rate has soared by 20 per cent since 1981, as the article showed. This would suggest, on competitive grounds, that Germany's unemployment was high and

chronic relative to France when, in reality, the reverse is the case. Moreover, since 1990 Germany's output has been superior for the most part and in recent years Germany has made deeper inroads in cutting the structural component of the budget deficit.

None of this is to pretend that Germany's economic track record or prospects are sound. But two points are worth noting: first, structural economic problems after unification may have cut the potential growth rate to about 2 per cent and, in this context, Germany has no option but to follow structural policies to raise growth and

employment; second, Germany chooses to pursue hard currency/low inflation policies to secure long-run competitiveness as it has done for decades.

But this does not mean France has to do likewise and, arguably, her relatively recent conversion to these policies may have stopped real wages falling, compounding the impact of rigid labour market policies to produce one of the highest unemployment rates in Europe, especially among under-25s. We should not be seduced by elementary purchasing power parity comparisons of the D-Mark/franc rate to conclude that the franc is at the right rate

and that it is the D-Mark bloc that should be devalued. This, said the chances of Germany's pursuit of a devaluation of the D-Mark or the euro are, to put it mildly, slim.

Sir Samuel's last point, however, is a definitive solution to a controversy. Active and urgent labour market reforms in Europe will do wonders for employment and growth and bolster EMU's economic viability. Otherwise, the economic prospects and political consequences are as he warns quite correctly.

George Magnus, 22 Southwood Avenue, Highgate, London N6, UK

what make difference



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Personal View • Stein Ringen

Cost of family breakdown

The decline of the traditional unit has far-reaching economic as well as social penalties

For centuries Europe's peoples have lived their lives in families. But in one generation, European societies have gone halfway to eliminating stable family households. New unions (cohabitation included) are now more likely to collapse than survive for a lifetime. Today's children are the first generation to grow up under the influence of profound family instability.

The breakdown of the family is causing damage to the social and moral fabric of society. But there is also an economic cost which is much higher than is often recognised.

When a family sits down to a meal, its members enjoy the product of a range of activities which are carried out in the market and in the household.

From the market, they benefit from farming and fishing, processing, packaging, storage, transport and retailing. The family contributes by shopping, preparing ingredients, cooking, setting the table and washing up afterwards.

In all these, labour and capital go into production: the farmer's time and the use of a tractor, the cook's time and the use of tools, stoves, and dishwashers. Families could of course have their meals without any work of their own if they went to restaurants, but much of the time, and for good economic reasons, we make our own meals.

A great deal of production is done by families: the production of a clean home (unless there is a paid house-

keeper); cleaning clothes (unless a laundry is used); caring for children (perhaps helped by a nanny); caring for the sick, frail or old (again, this is sometimes done with paid help).

All these activities are production, every bit as much as when similar activities are provided in the market for payment, and they all contribute to the family's standard of living by adding to the goods and services purchased in the market.

In the process from market goods to consumption, value is also added in the family by co-operation - the shared use of common goods. A single man living alone enjoys the benefit of his home. If he is joined by a woman, she will also enjoy the benefit of the home without the man having to give up his housing. Through co-operation, two people (or more) can share the benefit of one house - and similarly its equipment, television, hi-fi, car and so on.

Now suppose everybody lives on their own (no household co-operation) and adds nothing to the goods they buy in the market (no household production). In conventional economic terms, this would have no impact on their standard of living, as measured by gross domestic product per capita. But

A great deal of production is done by families: the production of a clean home, caring for children, and caring for the sick, frail or old

undoubtedly there would be a loss for individuals in terms of the goods and services they could consume.

Families thus add value to market goods and services - and it is possible to estimate the amount they add. The value of domestic production can be estimated from the time spent on household work, while that of co-operation can be estimated using economic techniques that account for the economies of scale involved in sharing.

Using conservative assumptions which deliberately keep estimates low and down to earth, my calculation is that domestic production increases household income in the UK by about 50 per cent on average. Domestic co-operation adds another third on top of household incomes and domestic production.

Taken together, domestic production and co-operation more than double the value of household income. In other words, the material standard of living would be more than halved if it were not for the effects of living in households. In the national economy, households contribute as much as market institutions. This is an astonishing result for a country where the family is often believed to have become marginal in economic terms.

But there is another finding that may offer a clue to what politicians see as the absence of the feelgood factor - the fact that, despite economic growth, voters do not feel better off. In the 10 years to 1986, the value added by domestic production and co-operation declined - and co-operation declined - in 1976, it had increased household income by 126 per cent, a decade later this figure had dropped to 113 per cent.

Over this period, economic growth in terms of income per capita was 31 per cent. But the standard of living,

measured in terms of the goods and services finally consumed by individuals, increased by only 23 per cent. More than a quarter of economic growth was absorbed by a fall in household production and co-operation because households became smaller and families more unstable.

It would be reasonable to assume that what was previously provided by households is now provided by the market. This would mean that about half the growth in income per person has, in fact, gone to replacing domestic production and co-operation. Real growth in the standard of living between 1976 and 1986 was therefore less than 16 per cent, rather than the headline figure of 31 per cent.

The reason people do not feel better off, therefore, is that there is not much to feel better off about. Even with reasonable economic growth, most people have not seen much improvement in the amount of goods and services they consume.

Family decline is not all bad news, of course. Young people are now able to leave the parental home earlier, the elderly are able to live on their own longer, families can afford to eat out more often.

But trends, such as an increasing incidence of divorce, a larger number of single parents, more cohabitation and more children growing up in family instability, have considerable economic costs, as well as more widely known social costs. Politicians who worry about the elusive feelgood factor should look as much to the family as to the market.

The author is professor of sociology and social policy at Oxford University. This article draws on material from his forthcoming book, *Citizens, Families and Reform* (Oxford University Press, November 1996, £30).

FINANCIAL TIMES

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Monday September 23 1996

Raising the price of Emu

Their countries are struggling to meet the fiscal down-payment for economic and monetary union set by the Maastricht treaty. But the European Union finance ministers, meeting in Dublin, have raised the cost still further by endorsing the "stability pact". Making such promises may be one thing; living by them another.

The idea is that countries with uncorrected fiscal deficits of more than 3 per cent of gross domestic product would make non-interest paying deposits that could be turned into fines. The precise modalities, including the size of the fines, are yet to be decided. But there is now agreement on the principle.

The question is whether it also makes sense. The answer is that it has some validity, but is decidedly risky.

First, while there is a link between fiscal policy and expected inflation, the connection is not a mechanical one. Italy, with its high public debt and penal real interest rates, proves the first point; Belgium, with still higher public debt and much lower interest rates, demonstrates the second. Furthermore, whether any deficit should give cause for concern depends largely on the overall indebtedness of a country.

Second, if there is to be fiscal

flexibility, deficits will normally have to be considerably less than 3 per cent. Thus the prospective participants are committing themselves to further progressive reductions in fiscal deficits. Past performance suggests they will have to eliminate fiscal deficits in normal circumstances, or even run surpluses.

Finally, variations in fiscal deficits are virtually the only method of short-term adjustment available to participants in Emu. History suggests the needed swings may be large. In France, for example, the deficit swung from 2.2 per cent of GDP in 1989 to 5.8 per cent by 1993. Maybe this was too large a response to the slow growth.

But could heavy penalties be sensibly imposed on a country willing to accept such swings? The proposed fines are the equivalent of nuclear bombs. Suppose the country were to persist with the deficit. Then forcing it to pay the fines would lead to a direct collision between the domestic politics behind the deficit and the EU.

None of this is to deny the political necessity of the pact. Before the marriage Germany must be wooed with fair promises. Whether its suitors will live by their protestations afterwards is another matter.

Thomson's fate

This week French ministers will meet to debate the fate of Thomson, the defence and consumer electronics group due to be privatised shortly. The two rival bids for Thomson, from Alcatel, the telecoms giant, and from the Lagardère Group, the defence and publishing conglomerate, will in essence be judged by which best serves the French national interest.

It is now clear that, contrary to the initial wishes of the government, both bidders will attempt to sell Thomson's loss-making consumer electronics business to Korean companies: Lagardère has a deal with Daewoo, and Alcatel is negotiating with Samsung. Both intend to keep the profitable defence arm, Thomson-CSF. However, they can only rationally do so if it is then merged with another European defence company: Lagardère has a deal with British Aerospace and Alcatel is likely to reach an agreement with the UK's General Electric Company.

An Alcatel-GEC team would have the advantage of a great deal of overlap between the defence companies Thomson-CSF and GEC-Marconi. If the two were merged into a strongly managed and rationalised equal joint venture, similar to the GEC-Alsthom power engineering combine, Europe could have a world competitive defence electronics company. However, Alcatel has little management experience in defence, and has a worrying pile of its own problems which many shareholders want its new management to resolve before it embarks on further expansion.

Lagardère does have a more natural interest in defence, but its overlap with Thomson and

Bae is restricted to missiles. Unless co-operation is expanded to take in Thomson and Bae's systems engineering skills, the teaming offers limited scope for rationalisation. Overarching this debate is a feeling that the French government may try to use the Thomson privatisation to score tactical points in the consolidation of the European defence industry. Its historic policy of national autonomy has left France isolated, while its failure to rationalise its industry earlier has added to its woes. Yet some in the French administration would like to use privatisation to secure French control of an unrebuilt industry.

If such nationalistic attitudes hold sway, the outlook for the European defence industry is poor. It is already splintered into national companies operating in a market half the size of the US. If the industry is not to fall into terminal decline, it must rationalise quickly into companies with strong central managements. That will require more give and take than France, Britain and Germany have been prepared to show so far.

France has an opportunity to take the lead by selling Thomson-CSF to the group which makes the most industrial sense, without insisting that France retains a majority shareholding in the merged company. If it did so it could then challenge its European partners to be similarly far-sighted. Should that industrial answer turn out to be an equal joint venture between Thomson-CSF and GEC-Marconi, an idea previously so unacceptable that it cost Mr Alain Gomez his job as head of Thomson, then so be it.

Japan's choice

The decision by Mr Ryutaro Hashimoto, Japan's prime minister, to go to the polls in October suggests his Liberal Democratic party is confident of consolidating its hold on power. Even if the LDP still fails to win an outright majority, most commentators see the election as another milestone in the party's rehabilitation after scandals and factionalism forced it into opposition in 1993.

The return of the LDP to centre stage would speed up government decision-making in contrast to the present slow-moving coalition. Yet it would also have a worrying aspect if it meant Japan returning to the bad old days of pork-barrel politics. Earlier this year, the elevation of the high-profile Mr Ichiro Ozawa to the helm of the opposition New Frontier party (NFP) seemed to point towards an eventual two-party, issue-based political system. That would have been a healthy outcome in the scandals of the early 1990s. But the opportunity has been lost. Mr Ozawa lacks charisma, his LDP origins lessen his credibility, and the NFP is now trailing in the polls.

The problem for a revived LDP is to restore public respect both for government and its

supporting bureaucracy, whose prestige was battered by the fiasco of the mortgage lending industry. Of course, some things have changed. Tighter rules on party financing have lessened the scope for corruption. The new one-member constituencies are supposed to help by reducing the influence of special interests. Whatever the outcome of the elections, Japan's politicians need to build on this. For the LDP this means promoting still more younger members within its ranks as a means of distancing itself from the old factionalism. In reforming the bureaucracy it would help to increase the mobility of civil servants between ministries to prevent them getting too close to special interests.

A large obligation falls also on the opposition. Voter apathy makes it difficult for opposition parties to develop popular support. But they can still push a sometimes reluctant LDP towards more deregulation, and they can unite to play an important role in demanding good government. If opposition parties were effective in this, even the most apathetic voters might eventually sit up and take notice.

Lure of the property magnet

Fund managers wary of the inflexibility of bricks and mortar are trying to reduce the risks of an illiquid market, says Simon London

Twenty years ago any self-respecting fund manager had to know about commercial property. In the late 1970s, bricks and mortar accounted for 22 per cent of the average pension fund.

Today, however, property accounts for only about 5 per cent of the assets of UK pension funds. With returns disappointing, and a growing range of alternative investments such as overseas equities and index-linked bonds, the commercial property industry fears that institutional investors are turning their backs on the property market.

Later today a delegation from the fund management and property industries will lobby Mr Michael Jack, financial secretary to the Treasury, for tax concessions to support the creation of a new kind of property investment fund that might tempt the pension funds and life assurance companies to return.

"Preserving institutional investment in property makes good economic sense," says Mr Alastair Ross Goobey, chief executive of Hermes, the fund manager, who will lead the delegation. "The unappealing alternative is that industrial and commercial companies will have to keep more of their capital tied up in property."

Fund managers are the UK's largest commercial landlords. But after a decade of disappointing returns, they are reducing their property holdings - and many smaller funds have given up on property altogether.

The main problem is illiquidity. Even in a good market it can take months to buy or sell buildings. In a falling market certain types of property can be almost impossible to dispose of.

The costs of trading property are also prohibitive. A "round trip" - selling one building and buying another - costs about 4 per cent of the amount re-invested, including agents' and legal fees and stamp duty. This compares unfavourably with the bond and equity markets, where investments can often be sold in seconds and at a fraction of the cost.

The relationship between landlords and tenants is also changing in ways which make property less attractive to large funds. In particular, tenants are often reluctant to sign traditional 25-year leases, which means that landlords can no longer rely on a long-term stream of rental income.

The most powerful argument in favour of commercial property as a financial asset remains that it allows fund managers to spread investment risks across the business cycle. Property tends to perform well when bonds and equities are suffering. When property was performing well, fund managers were tolerant of its foibles. But the sector has significantly underperformed bonds and equities in recent years.

In the 10 years to 1995, UK commercial property delivered an annual total investment return of 9.1 per cent, against 12 per cent from gilts and 14.7 per cent from UK equities. This lagged performance contrasts with the 1970s, when commercial property delivered a better investment return than either of the other main asset classes.

"There are just as many advantages as disadvantages to com-



mercial property as an investment. The real problem is performance," says Mr Nigel O'Sullivan of Bacon & Woodrow, the consulting actuaries.

Although the property industry can do little to improve its performance relative to other assets, there is a growing consensus that some of the structural problems should be tackled. Several initiatives have been launched to repack property in ways that will make it more attractive to fund managers.

These involve new types of stock exchange-listed property investments and derivative financial products based on indices of property market performance. "Today's delegation to the Treasury is seeking tax breaks for commercial property investment trusts. These would enable fund managers to buy liquid shares in pools of property rather than buying individual buildings."

Unlike property companies, investment trusts are exempt from tax on capital gains. Tax-exempt investors such as pension funds can swap buildings for shares without a tax penalty.

"We are not asking for a new tax break. We would like the existing investment trust rules to be extended to cover commercial property," says Mr Ross Goobey.

The model for this initiative is the US real estate investment trust market, which has a value of about \$60bn (£38bn) and is

increasingly the way by which pension funds gain exposure to the property market. The biggest barrier to the creation of a similar market in the UK is the reluctance of the Treasury to extend investment trust tax benefits to commercial property.

The industry has responded by commissioning a study which shows that the creation of property investment trusts would not cost a penny to the public purse. The study argues that tax revenue on direct property sales would be lost, but this would be compensated by stamp duty paid on the trading of trust shares.

Until the Treasury accepts these arguments, however, property financiers are left trying to replicate US-style investment

trusts by other means. One approach is the property unit trust being created by Dusco, a property fund manager. This would be quoted on the London Stock Exchange and benefit from many of the tax advantages of the proposed investment trusts.

But Dusco admits that unit trusts are not ideal for commercial property investment. Unlike companies and investment trusts, unit trusts are open-ended - the capital available to the fund expands and contracts depending on demand for units among investors. If investors want to sell units when property values are falling, it can be difficult to sell buildings to raise the cash.

Despite these drawbacks, Dusco hopes to raise up to £250m

this autumn to launch its first listed property unit trust. Mr Dirk Dusseldorp, chairman, points out that German open-ended property funds are Europe's largest property investors and have been operating without serious problems for many years. "We don't know when, if ever, the Treasury is going to give ground. Until it does this is the only game in town," he says.

Property derivatives would complement the development of new investment funds. A group of investors led by AMP Asset Management, the fund management arm of Australian Mutual, the life assurance giant, hopes to launch a property futures market next year.

This would enable fund managers to increase or decrease their exposure to, say, retail property without having to go through the slow and costly process of buying or selling shops.

The Bank of England broadly supports the creation of property derivatives in the interests of improving the liquidity and transparency of the property market. "We believe that the markets would welcome anything which helped bring more liquidity. A derivative in property would help towards this end," says Mr Pen Kent, executive director of the Bank.

But an attempt to launch property derivatives in the late 1990s failed amid allegations that market insiders had been illicitly boosting trading volume to give a false impression of the success of the market. The index-based property futures contracts launched by the London Futures and Options Exchange were eventually withdrawn in 1991.

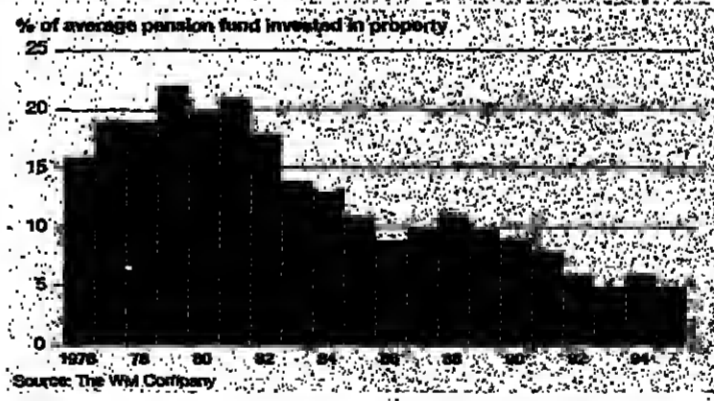
Mr John Whalley, head of property investment at AMP Asset Management, believes the latest initiative stands a better chance of success because there is a groundswell of opinion in favour of salvaging property as a mainstream financial asset. "Property as an asset class is moving forward on a broad front. Property derivatives are one brick in the wall," he says. The property industry is understandably keen to talk up the prospects of these initiatives. But it is unlikely to persuade fund managers to reverse the long-term drift away from commercial property unless it shows a better performance relative to gilts or equities.

Mr David Hunter, head of property investment at Scottish Amicable Investment Managers, says: "Property is at its low point in terms of popularity because its performance has been so poor over the last six years. What it needs more than anything is two or three years of solid investment returns."

There are hopes that this may happen. The glut of unwanted property caused by the 1990s property boom is slowly dwindling. Economic growth is accelerating and many fund managers believe that the equity market is due for a fall.

The fundamental arguments in favour of property as a financial asset are stronger than they have been for at least six years. But many in the industry are convinced that without new forms of investment to attract institutional investors, property is set to dwindle further in their portfolios.

Crumbling foundations: the decline of property



Source: The Wm Company

OBSERVER

Heartbeat away?

The vice-presidency of Colombia, to which Carlos Lemos Simmonds has just been elected by the nation's congress, is a dubious institution.

Being Simmonds represents the conservative wing of the ruling Liberal party - which makes him ideologically opposed to the incumbent President Samper. But this probably doesn't mean much. He should be expected to have such confrontation. He has been indicating that he wishes to leave the new man's office where he is - in the Colombian embassy in London.

His predecessor, in 1991, was Alberto de la Calle, who resigned two weeks ago after a scandal involving his wife's alleged affair in Madrid. His departure was fairly speedy after Samper sent a bill to congress proposing the abolition of the vice-presidency. This he did not do. He accused his chief of financing the 1994 election campaign with drug trafficker donations and of putting the survival of Colombian democracy at risk by allowing drug money to be used in power. He called on Samper to

Brittan's babes

The imminent retirement of Horst Kreuzler, the top trade official in the European Commission, poses a dilemma for his boss, Brussels trade supremo Sir Leon Brittan. The favourite to succeed him is fellow German Hans Bessler, known as Mr Anti-Dumping. But Sir Leon is believed to have other candidates in mind too, including Alex Schaub, a long-time and able Eurocrat who has however only just taken over competition policy. Also in the frame is Klaus Van der Pas, EU president Jacques Santer's spokesman, who won his spurs in DG1 cleaning up the Tacsis aid programme to the former Soviet Union.

Other outsiders are apparently also interested - as part of a wider shake-up in DG1 which has caught Paris's attention.

Checking out

Sounds of banging doors at Inter-Continental, the Japanese-owned international hotel chain. Managing director Gavin Simmonds, who had only been at Inter-Cont since early 1994, has quit in a huff. He hints at impatience at a delayed flotation. Those left behind suggest it is not quite that simple. The former Kleinwort Benson corporate financier threw in the towel in the same month that another ex-banker, Toru Nakajima, 68, took up the reins in London as chief executive in a reshuffle after the death of chairman Snaek Takao. Nakajima is a former managing director of Bank of Tokyo, which is banker to Saison, the retail consortium that owns Inter-Cont. Nakajima claims that the

Eden revisited

Police in a suburb of New Delhi are reintroducing the punishment of public humiliation as a means of fighting crime - in this case, sexual harassment of women, or "eve-teasing" as it is quaintly known in India. Police in Ghazabad plan to parade offending Adams in a brightly painted circus-like cage mounted on the back of a police truck, which will then be motored around town. There's also a quota and bonus incentive plan to encourage police to mop up as many Eve-teasers as possible. Serious offenders will of course be prosecuted. The cage is just for "minor and casual Eve-teasing cases" is the official line.

Financial Times

100 years ago

New method of locomotion. Our conservative contemporary, the "City Press" describes as a "bold step" the action of a certain firm in proposing to introduce next November in the streets of London a motor car "which resembles a traveller's baggage, accommodates four persons inside, runs upon four wheels and is preceded through the streets by a man with a red flag."

50 years ago

Men and Matters. Tory Laocoon - I admire Lord Woolton's abounding energy in finding time to join the Board of Sofina. That huge international finance corporation was created in 1928 in order to skim the cream off the equity of a lot of electricity, transport and chemical undertakings. At the Blackpool Conference Lord Woolton will shortly be defending private enterprise as chairman of the Conservative Party. His new company is already frothing in this moral straggle. Sofina's electricity interests in France and Algeria are under the nationalists' hammer. In Mexico whenever there is a strike in their works the State intervenes. Nobody in the world save the Pope has to wrestle with evil in so many countries as henceforth Lord Woolton.

"Remind yourself daily that a cheerful disposition invites success."

FINANCIAL TIMES

Monday September 23 1996

KYOCERA world leader in high-tech cameras...

EU companies face law on consulting workers

By Caroline Southey in Brussels

Many more European Union companies could be forced to consult their workers on group affairs in an extension of rules on employee participation drawn up by Mr Padraig Flynn...

will be obliged to discuss issues related to their development, each member state will be free to decide how businesses carry out consultations. An EU official said the proposal would "not tell anybody they have to set up councils or recognise trade unions".

panies a competitive edge - and there was a need for common rules. Officials said most companies in the EU already systems for consulting workers. Mr Flynn's initiative differs from the works councils system in that it targets small, nationally based companies. The works council directive affects multinational companies with more than 1,000 employees and over 150 in at least two member states.

India's Congress party to pick Rao successor

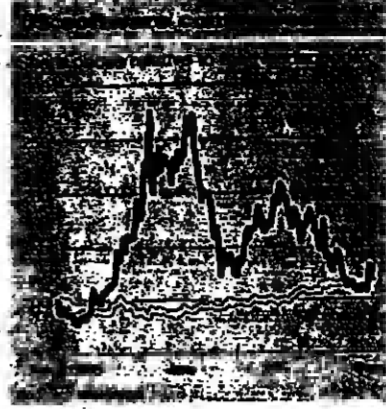
By Mark Nicholson in New Delhi

Leaders of India's Congress party are tonight set to appoint a successor to Mr P.V. Narasimha Rao, the former prime minister who quit as party president at the weekend after a Delhi judge ordered him to answer swindling charges in court.

Netting Microsoft

THE LEX COLUMN

News of a third antitrust investigation did not stop Microsoft's shares from finishing last week at another record high. After all, the group has emerged from previous inquiries with little more than a slapped wrist.



But the smart conglomerates are not using the continuation of exchange controls as an excuse for inaction. If Sanlam does decide to demutualise, the fact that it has reorganised is likely to be rewarded by a higher share price, which would help finance its international ambitions.

UK rail

This week the Office of Fair Trading is to decide whether it thinks Stagecoach's plan to buy Porterbrook, the rail leasing company, should be referred to the Monopolies and Mergers Commission. And on the face of it, it is easy to see why there have been numerous demands for the deal to be blocked.

Anheuser-Busch pulls out of Budweiser name talks

By Vincent Boland in Prague

Anheuser-Busch, the US brewing group, is pulling out of talks with the Czech government on securing a trademark agreement over rights to the Budweiser name in continental European markets.

Anheuser-Busch recently won court rulings on the use of the Budweiser name in Spain, and the Bud name in Norway. It appears convinced it can crack other markets, especially Germany and Austria, through legal action on a country-by-country basis.

use the brand elsewhere. At the time, the town of Ceske Budejovice in Bohemia, where Budvar is based, was known by its German name, Budweis. Anheuser-Busch developed Budweiser into a formidable brand but had to use the name Bud in Europe. It has since managed to break Budweiser into some European markets, including the UK, but often only after legal action.

South Africa

Look at the structures of South Africa's big conglomerates and the mind boggles at their complexity. Not only are there pyramids, where a holding company owns 50 per cent of another holding company, which owns 50 per cent of yet another, but merely are there conglomerates within conglomerates; there are also intricate feedback loops, whereby subsidiaries of subsidiaries own shares in the parent.

China tightens share trading rules

Continued from Page 1

tinced from the A share market reserved for local investors - was established in 1992. Trading was rigidly restricted to foreign buyers in its first two years. However, a slump in the market in 1994 prompted the stock exchange authorities to relax the ban in an attempt to stimulate activity.

to local Chinese trading, but notices issued in the Chinese press at the weekend promised a clampdown. The Shanghai stock exchange, in a statement published at the weekend in the Shanghai Securities News, said: "The exchange will take appropriate technical measures to enforce the ban."

investors to sell their stocks. The exchanges have been under pressure from the China Securities Regulatory Commission, the chief regulatory authority, which has called on them to resume enforcement of the ban. The CSRC has been concerned about the perceived loss of foreign exchange from foreign investors selling the US dollar and Hong Kong dollar denominated stocks to local buyers.

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Monday September 23 1996

Seat in profit after aid from VW

By David White in Barcelona

Seat, the Volkswagen group's Spanish carmaker, has emerged from the red for the first time in five years with a Pta2.76bn (\$21.75m) net profit in the first eight months.

Mr Utz Claassen, finance chief and executive vice-president, said turnover from January to August had climbed 32 per cent to Pta390.5bn compared with Pta295bn in the same period last year.

This meant the company was "slightly ahead" of its plans to break even in 1997. But it still needed to wean itself off the financial support that VW had been providing to help offset restructuring costs.

Mr Claassen said the return to profit had been possible only because of Volkswagen's aid package from the Spanish government and Catalan regional authorities, approved by the European Commission last autumn. Seat now had to achieve positive results "without external influence", he added.

Mr Claassen is number two at the Spanish company under Mr Juan Llorens, who comes to the end of his three-year contract as president in November and is expected to be replaced. A Seat board meeting in Braunschweig, Germany, on Thursday did not name a new chairman.

Mr Claassen said the company had received "the continuous and personal support" of Mr Ferdinand Piëch, the VW chairman.

Mr Claassen did not quantify the amount received from the German parent this year but described it as "substantially less than was originally foreseen and planned."

"I think that the parent company rightly has this expectation that this support will reduce continuously, and eventually to zero," he said.

In the decade since VW took control, Seat has shown profit only for the years 1988-91. Last year's loss was reduced by 62 per cent to Pta11.29bn.

Mr Claassen said production was expected to increase 21 per cent this year to 415,500 vehicles. The output increase in the first eight months was up 23 per cent to 272,000, with a stable workforce of about 12,700.

Sales of Seat cars to customers were expected to rise 7.7 per cent to 350,600, after a 6.3 per cent increase up to August. Total stocks had been reduced since the beginning of the year by 14,000 to 78,000 units.

Seat's share of the Spanish market in the eight months rose to 11.3 per cent from 10.5 per cent last year. The VW group's market share climbed to 30.3 per cent from 18.7 per cent.

Alcatel moves to cut working capital

By David Owen in Paris

Alcatel Alsthom, the French telecommunications and engineering group, is launching a drive to cut working capital.

"This initiative is designed to help Alcatel's debt reduction programme. It had net debt of FF20bn (\$2.94bn) at the end of last year and a debt/equity ratio of 61 per cent. However, it is in the process of selling FF10bn of non-core operations. Alcatel has made an offer

for Thomson, the heavily indebted electronics group that is being privatised by the French state. Mr Serge Tchuruk, who took over as Alcatel's chairman last year, has promised that any deal will not worsen Alcatel's debt/equity ratio. The company would "emerge with a debt/equity ratio of less than 30 per cent", he said.

On Friday Standard & Poor's, the credit rating agency, put Alcatel's long- and short-term debt ratings on negative credit watch.

The agency said the impact of the possible acquisition of Thomson on Alcatel's credit quality was "difficult to estimate at this stage". It described Thomson's current debt load as "considerable".

S&P also put on negative credit watch the long-term debt rating of Banque Arjil, a merchant bank 72.9 per cent-owned by Lagardère, the French conglomerate also bidding for Thomson.

S&P said uncertainties remained over the structure of any eventual transaction

"in both operational and financial terms". But it had "taken note of Lagardère's intention to keep only Thomson's defence activities, which would reinforce its positions in the sector, and its undertaking to maintain a conservative financial structure". The agency confirmed the bank's short-term debt rating.

Alcatel's disposal programme is expected to take another step shortly with the sale of the group's 21 per cent holding in Cofira, the

financial holding company of Société Française de Radiotéléphonie, France's number two mobile phone network operator, which is controlled by Générale des Eaux.

Mr Jean-Marie Messier, Générale des Eaux chairman, has indicated that Alcatel's exit from Cofira would be part of the reorganisation of his company's telecommunications activities.

Alcatel is due to release half-year results on Thursday. Figures already released have shown that first-half sales fell from FF78.3bn to FF74.3bn, despite a rise in telecommunications sales from FF29.1bn to FF30.5bn.

For last year, Alcatel reported France's largest-ever corporate loss of FF25.6bn, including FF22.1bn in exceptional provisions and depreciation charges arising from the restructuring launched by Mr Tchuruk. The working capital drive is additional to that reorganisation. Editorial Comment, Page 17

INSIDE

BASF
BASF, the German chemicals company, is to invest several billion D-Marks in giant chemical complexes in Malaysia and Brazil modelled on the company town of Ludwigshafen, which lies at the centre of its operations in Germany. Page 21

Unibail
Unibail, the French property group, has unveiled details of a new fund designed to invest up to FF8bn (\$94m) in the domestic market, in a sign of renewed optimism about the sector's health. Page 22

Bass
Bass, the UK brewing group, may have to make big concessions to gain regulatory approval for its acquisition of the Carlsberg-Tetley brewing joint venture, according to rival brewers and pub owners. Page 20

Rutland Trust
Rutland Trust, the UK group which specialises in realising value from companies in trouble, is expected to announce today a £25m (\$28.4m) investment that will substantially increase capacity at Thamesport, acquired last October for £52.5m. Page 20

Fund Management
A survey by consultants Trimbake & Company shows that while investment trusts pass on the benefits of cost savings to shareholders, the same cannot be said of unit trusts and offshore funds. Page 20

Global Investor
Japan has historically had a much higher level of savings than other developed economies. But its savings rate is in long-term decline, which goes against the experience in all other industrialised economies. Page 22

Richard Waters on Wall Street's irrepressible optimism

Pull of gravity fails to quell US markets

Something curious has happened in the US stock market this month.

After four strong years of earnings growth, corporate America registered a marked slowdown in the first half of 1996. The likelihood that this would continue in the second six months hung like a dark cloud over the market as the summer drew to a close.

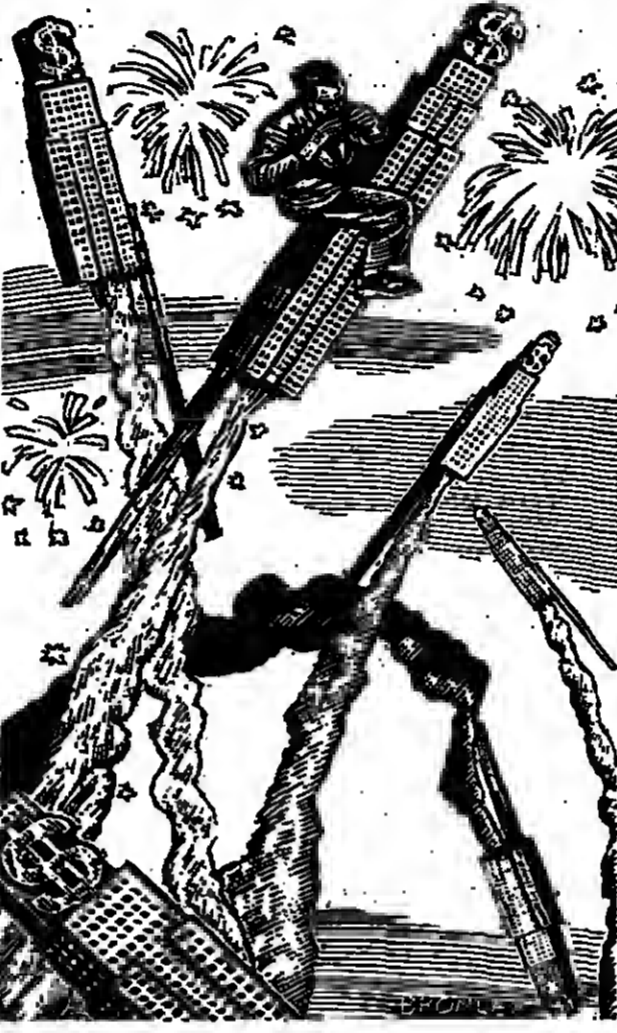
Most US companies are now in the final week of their latest fiscal quarter and there has indeed been a spate of profit warnings in recent days - from, among others, Ford Motor, Motorola and Eastman Chemical. But the Dow Jones Industrial Average ended last week at a record high.

Rather than take note of the bad news coming out of corporate America, it seems the US stock market has been in a mood to note only the good.

Intel, the microchip maker, last week took back a profit warning it had issued early in the summer; things have turned out better in the chip market than it had expected. That was hardly a ringing endorsement, but proved enough to drive up the share prices of technology companies - and more than enough to drown out a warning from Motorola, another microchip and mobile telephone maker, the week before.

It is as though the July share price tumble never happened. Cash is flooding back into US mutual funds that invest in equities: it is estimated to have reached nearly \$5bn last week. Even the distinct possibility of an interest rate rise after the Federal Reserve's policy-making committee meets tomorrow has failed to damp the enthusiasm.

The hints and warnings that have trickled out of US companies in recent weeks, meanwhile, do not necessarily point to the imminent death of the 1990s earnings boom. But they do suggest that, in many industries, companies are having to work ever harder to keep their profits rising.



There are, as always, many unrelated factors at work. They include Ford's difficulties in relaunching itself in Brazil and the higher gambling losses reported by ITT, the casino and hotel operator, at its baccarat tables.

However, there are also many common strands. Ford, for instance, sounded a cautious note about its performance in the US: consumer resistance to higher prices has forced vehicle makers to keep discounts high this year, and has set in a train a feverish search for ways to trim costs at the country's second-biggest automaker. Elsewhere, an out-and-out price war in the breakfast cereal market drew a profit warning from Kellogg and an earnings decline from General Mills, whose latest fiscal quarter ended in August.

With little apparent pricing power, higher costs seem likely to continue to eat into corporate America's earnings and challenge its ability to maintain recent productivity gains. The rising price of oil, for instance, is being felt across a number of industries, drawing warnings from some US airlines.

Those companies that have tried to pass on higher

Agco set for European bids

By Peter Marsh in London

Agco of the US, one of the world's four biggest tractor manufacturers, is willing to spend up to \$1.5bn over the next five years acquiring European makers of farm equipment.

The company has its sights on at least eight companies, including the farm-equipment subsidiaries of Renault, the French automotive group, and the Finnish engineering business Valmet.

Other groups that Agco is interested in include SLH and Landini of Italy, Claas and Fendt of Germany, Dronningborg of Denmark and Ursus, a state-owned machinery company in Poland.

"We are maintaining a dialogue with all these companies," said Mr Robert Ratliff, Agco's chairman and chief executive.

"We have made it clear we are interested in a range of collaborative ventures which might include acquisitions," he added.

Agco has grown rapidly since it was set up in 1990. It has spent \$975m on acquisitions, mainly in the US, with its biggest purchase the \$329m it spent in 1994 on Massey Ferguson, the tractor manufacturer previously owned by Verity of the US. In June this year, Agco bought Maxion, Brazil's biggest tractor maker, for \$260m.

Mr Ratliff is aiming to expand Agco's annual sales of \$2.1bn last year to up to \$5bn by early next century. Over this period the propor-

tion of the company's sales outside North America could expand from 60 per cent now to 75 per cent.

Of the companies on Mr Ratliff's list of possible purchases, none has indicated that it is interested in handing over majority control. Agco currently owns 30 per cent of Dronningborg and 25 per cent of Landini. It also has a deal with Valmet to buy engines for its own tractors, while Ursus makes some Agco tractors in Poland under licence.

Mr Ratliff's comments, made during an interview in London, underline the interest by some of the big companies in the tractor business in buying some of the hundreds of small companies that make the farm-equipment industry in Europe extremely fragmented.

Out of world farm-equipment sales of some \$27bn a year, about 40 per cent is accounted for by the big four - the other three being John Deere and Case of the US and New Holland, owned by Fiat of Italy.



Robert Ratliff: expansion

It is as though the July share price tumble never happened - cash is flooding back into US mutual funds investing in equities

costs to consumers appear to have encountered considerable resistance. Rubbermaid warned earlier this month that its attempt to raise prices on its household plastic products had been followed by a decline in sales volumes. Ben & Jerry's found that raising ice cream prices over the summer to recover the higher cost of cream led to a slump in sales.

These and other corporate announcements during September.

mid-1980s. Much of that, though, is due to lower taxes and smaller interest bills. These have led to one-off margin improvements beyond the control of companies and hardly justify the premium earnings multiples now attached to US stocks, says Mr Martin Barnes of the Bank Credit Analyst.

Take tax and interest costs out of the equation and the operating profit margin on stocks in the Standard & Poor's 500 is only just above

Life group bid spurs UK bank to tackle overlaps

By George Graham, Banking Correspondent

Lloyds TSB, the UK banking group, will this week reveal further details of its £1.7bn (\$2.55bn) offer for the outstanding 37 per cent of Lloyds Abbey Life, opening the door for a substantial rationalisation of Lloyds TSB's overlapping insurance businesses.

It is expected to say how it might tackle duplications created by last year's merger between Lloyds Bank and TSB Group. These fall in areas such as life assurance, general insurance broking, estate agency and consumer finance.

The group's branding and marketing strategy has been complex. Lloyds branches sell life products from Black Horse Financial Services, a LAL subsidiary. TSB branches sell products from TSB Trust; branches of Cheltenham & Gloucester, the building society Lloyds took over before the TSB merger, refer customers to independent financial advisers.

LAL sells other insurance products such as credit protection and household contents through Lloyds branches, acting as a broker for policies underwritten by other insurers.

The Lloyds TSB offer for LAL has awakened the interest of some other insurers in Abbey Life, a separate unit of LAL which sells unlinked life assurance products through a direct sales force. Those thought to have cast an eye over it include Prudential Corporation, the UK's largest life group.

Abbey shares little with any of Lloyds TSB's other insurance operations beyond a limited amount of joint product design with Black Horse. It is, however, a profitable business, contributing \$81.2m of LAL's interim pre-tax profits of £152m.

Sir Brian Pitman, Lloyds chief executive, who is to become chairman next February, has been keen to increase the group's flow of earnings from what he regards as steady, high quality sources such as life assurance.

But although banks and building societies in the UK continue to try to expand their "banassurance" activities, their share of the UK life market has slipped in recent years. Banks sold only 15 per cent of single premium products and 13 per cent of regular premium policies last year, compared with 18 and 17 per cent respectively in 1994.

Lloyds TSB's offer for LAL involves six of its own shares for every seven of LAL's, plus 300p in cash for every LAL share. That is equivalent to 625p at Friday's Lloyds closing price of 378½p, valuing LAL at \$4.9bn.

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FFr 312,900,000

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July 1996

COMPANIES AND FINANCE

Rutland to expand Thamesport

By David Blackwell

Rutland Trust, which specialises in realising value from companies in trouble, is expected to announce today a \$15m investment that will substantially increase capacity at Thamesport, the Isle of Grain container port acquired last October for \$52.5m.

Mr Michael Langdon, chief executive, is understood to have confirmed to current users and prospective cus-

tomers that expansion of the port will go ahead a year earlier than planned.

This implies that the port, which was moving 170,000 containers a year when Rutland took over, will move close to the present capacity of 270,000 containers next year. The project to expand annual capacity to 400,000 containers will take 12-18 months.

Thamesport was developed by Maritime Transport Services at the end of the 1980s

at a cost of £100m. But it was burdened with interest payments on debt of £78.6m, suffered from lower than expected initial volumes, and met increased competition from newly privatised port groups. Nevertheless, the groundwork for two extra container lanes and an extension to the quay was laid out in the initial development phase. This means capacity can be increased sharply for the relatively small investment of £15m.

The acquisition of the port brought Rutland tax losses of more than \$50m from trading and unclaimed capital allowances of more than \$40m. Both these figures are now understood to be substantially higher.

The group, which also announces its interim results today, said in June that Lykes of the US was transferring its 26,000 containers a year from Fallstowe to Thamesport. Mr Langdon said then that the

container business was growing much faster than expected.

Rutland also announced in June a complex deal that gave it effective control of Cape, the maker of fire preventive materials.

Some of the value extracted from rationalising that business will go towards the investment in Thamesport.

Analysts are expecting an interim pre-tax profit of about \$2m.

Bass rivals expect merger concessions

By Frederick Oram, Consumer Industries Editor

Bass may have to make big concessions to gain regulatory approval for its acquisition of Carlsberg-Tetley, according to rival brewers and pub owners.

Bass argues that independent pub chains are driving such hard bargains with brewers that terms of trade will change little following the merger. Thus, it says, the deal should be approved by regulators with few or no concessions on its part.

But the chief executive of a competing brewer said Bass lifted its market share from 23 per cent to 35-38 per cent, making it once again the UK's largest brewer. "Dear prices will harden".

The Office of Fair Trading is probing the issue and has sent questionnaires to brew-

ers and pub owners, seeking answers by Thursday. The questions focus on the effect on wholesale prices if the number of national brewers is reduced from four to three. The perception that Bass will be too dominant is likely to stiffen the OFT's resolve to use the occasion of a big brewing merger to loosen further the vertical integration between brewing and pub retailing.

If the OFT decides to do so, it can recommend that Mr Ian Lang, trade and industry secretary, initiates a Monopolies and Mergers Commission inquiry.

Mr Lang can accept the advice, reject it and let the deal through, or ask the OFT to seek undertakings from Bass to modify the deal to increase competition. Short of seeking an MMC referral, the OFT could ask for under-

takings itself. Bass would be under heavy pressure to co-operate with regulators rather than face a protracted investigation. It cannot run Carlsberg-Tetley until the issue is settled and competitors, notably Whitbread, are already courting Carlsberg-Tetley customers.

Bass could undertake to sell brands, breweries or pubs to lessen its market power but disposing of pubs is seen as the most effective and likely remedy.

Regulators might force it to sell as many as 1,000 of its more than 4,000 pubs, some analysts and industry executives have suggested.

With such a disposal, Bass would lose about 500,000 barrels of beer sales and about \$36m in operating profits a year from the tenanted pubs, estimates Kleinwort Benson.

One-2-One in fresh campaign

By Alan Cane

Ms Jan Peters, chief executive of Mercury One-2-One, plans to unleash an "aggressive" marketing campaign next month which could take its mobile phones into supermarkets, chemists and DIY stores.

Ms Peters, formerly president of wireless operations and investments at US West's media group, is keen to see whether phone marketing techniques which proved successful in the US will translate to the UK.

Her priority, after three months in office, is to

restore the competitiveness of One-2-One, the UK's smallest mobile operator.

Ms Peters says: "Only one person in 10 in the UK has a mobile phone. One key to greater penetration is easier access to the product."

Ms Peters' efforts at One-2-One, owned equally by Cable and Wireless and US West, will be closely watched by the City. The three-year-old company is recovering from the critical error of providing services only in London and the Midlands while its competitors, Vodafone, Cellnet and Orange, completed national networks.

MMC water verdict on course for Friday

By Jane Merinton

The Monopolies and Mergers Commission is on course to deliver on Friday its verdict on the largest takeover bid in the water sector.

Recommendations from the four-month investigation into the rival bids by Wessex Water and Severn Trent for South West Water will be passed to Mr Ian Lang, trade and industry secretary. His decision is expected to take another three to four weeks.

The investigation's extension to cover the waste management companies owned by the three groups had prompted concern about further delays. But the MMC said there was "no reason to believe that the inquiry will not be completed on time".

Since launching the bids in March the target's share price has risen by about 40 per cent to close at 70 1/4p on Friday, valuing it at \$397m.

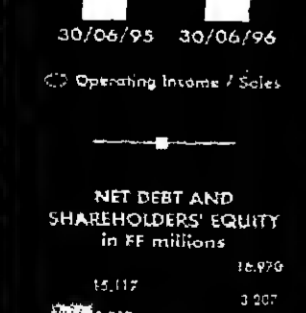


National Grid powered into first place to win the Ellis and Buckle Industry Sailing Masters trophy amid much drama on high seas of the Solent yesterday. Perhaps being rammed by Law Society helped the winning crew along, but by coming first in each of the five races they proved the result was not rigged.

At the end of the day Deloitte & Touche came home only 6.5 points behind the leaders on 70.5, and Balfour Beatty managed to build up a decisive 0.5 point lead on Inchcape to take third place with 69 points.

U.S. \$75,000,000
Morgan Stanley Finance B.V.
Morgan Stanley Bank Limited
Guaranteed Floating Rate Notes
due 1998
Interest rate: 6.50% per annum
For the interest period from September 23, 1996 to December 23, 1996, the float rate interest determined at 6.50% per annum.
The interest payable on the floating rate notes is payable on December 23, 1996 and will be U.S. \$1,742,500 per U.S. \$1,000,000 Note.
By The Citicorp Trust Co. Inc.
London, New York
September 23, 1996

INTERIM RESULTS 1996



PINAULT PRINTEMPS-REDOUTE

NET SALES UP 1.5%
OPERATING INCOME IMPROVES 19.5%
Income from ordinary activities reaches FF 1,324 million and net income for the period - Group share FF 748 million

CONSOLIDATED INCOME STATEMENT			
Six months to June 30,			
(in FF millions)	1995	Change	Year to Dec 31, 1995
Net sales	37,187	+1.5%	77,799
Operating income	1,084	+19.5%	2,991
Net financial expense	-281	-42.7%	-554
Income from ordinary activities before taxes	803	+41.2%	2,437
Non-recurring items	-207	-69.1%	-171
Net income of consolidated companies	384	+83.1%	1,549
Share in earnings of equity affiliates	267	+9.7%	503
Net income before amortization of goodwill	651	+53.0%	2,052
Net income for the period - Group share	452	+65.5%	1,516

The Financial Services Division posted a 15.8% increase in its earnings contribution to the Group, with new loan production rising 14.6% over the period.

Net income for the period - Group share reached FF 748 million, up 65.5%, after a goodwill amortization charge of FF 93 million (1995 - FF 70 million), which included FNAC.

CONSOLIDATED BALANCE SHEET			
(in FF millions)	As of June 30, 1995	As of Dec 31, 1995	Change
Fixed assets	25,849	25,307	-2.1%
Working capital requirements	6,323	4,795	-25.1%
Shareholders' equity	15,117	14,494	-4.1%
Provisions	2,103	2,683	+27.5%
Net indebtedness	14,953	10,925	-26.9%
Of which, Group share	12,360	13,329	+7.8%

The level of working capital requirements was little changed from the position of December 31, 1995 despite acquisition activity.

Net indebtedness stood at FF 11,424 million, a significant reduction on June 30, 1995, while slightly ahead of year end 1995 due to the inherently seasonal nature of the Group's business. The 1996 interim position does not include consideration for the acquisition of SELGA, which was paid over during July.

The Group's Debt/Equity ratio improved from 99% at June 30, 1995 to 67% a year later, comparable to the level achieved at year end 1995.

Group cash flow rose 32.7% to stand at FF 1,371 for the period. Capital expenditures for the period was FF 492 million, net of disposals.

Effective July 1, 1996, the Group acquired the remaining 33.34% of the FNAC holding company, IENA SA, previously held by Compagnie Générale des Eaux, for a consideration of FF 1,044 million.

In early August, FNAC bought out the 60% interest in SODAL SA held by the GIB-Group for a consideration of FF 140 million, thereby acquiring full control of its Belgian interests.

For the period to the end of August 1995, Group sales on a like-for-like basis were up 1%.

Big funds should have lower fees

But it isn't always the case, says Philip Coggan

Most industries enjoy economies of scale. That ought to be true of fund management as well. It should not require 10 times the resources to manage a \$1bn portfolio that are needed to look after \$100m.

But these economies do not necessarily get passed on to the investor. A survey by consultants Timberlake & Company shows that, while UK investment trusts pass on savings, the same does not apply to unit trusts and offshore funds.

The survey's antecedents need careful consideration. It was commissioned by the Association of Investment Trust Companies and focuses on the international sector, home to many of the best managed, low-fee investment trusts.

Nevertheless, some of the findings are striking. For investment trusts, the largest funds have expense ratios which are only a quarter of the smallest trusts; for unit trusts, average expenses are proportionately greater for \$300m to \$1bn funds than they are for funds with less than \$30m.

The survey concentrates on total expense ratios (TERs), which include all those expenses billed on an annual basis against a fund's income.

The main element is the management fee, but the ratio also includes custodian fees and administrative expenses.

What it does not include is the dealing costs involved in buying and selling shares, which can be high if the fund manager trades frequently.

TERs can be significantly higher than the management fee, which Richard Timberlake believes is a misleading indicator.

For investment trusts with less than \$30m under management, for example, the average management fee is just 0.78 per cent. But that rate is nearly doubled, once you allow for all the other

costs, which brings the total expense ratio up to 1.37 per cent.

These other costs have a fixed element, which means that they should be proportionately less important as the size of fund increases.

For investment trusts in the \$300m to \$1bn range, the average management fee is 0.45 per cent and the other expenses add just another three basis points, bringing the total expense ratio up to 0.48 per cent.

But these economies of scale do not seem to apply to either unit trusts or offshore funds. For unit trusts, this is because the TER for funds in the \$300m to \$1bn is actually higher - 1.68 per cent compared with 1.62 per cent -

than for trusts up to \$30m. One reason for this oddity may lie in the distribution system and the recent price wars in the unit trust industry.

Most unit trusts are sold through brokers or independent financial advisers who collect a commission for doing so. This commission was traditionally awarded in the form of a 3 per cent upfront payment deducted from a trust's 5 per cent initial charge.

However, some trusts have recently been competing for the business of private investors by cutting the initial charge, but to keep the advisers happy, they have been paying an annual renewal fee, which they have recouped by raising their annual management fee, often from 1 to 1.5 per cent.

Management fees at the largest international unit trusts (which by definition are the most successful at attracting money from financial advisers) average 1.56 per cent, compared with just

1.29 per cent at the smallest funds. International investment trusts, in contrast, tend to reduce their management fee as the fund size increases.

Offshore funds have a reputation for higher charges and this is certainly borne out by the survey. Some of the smaller funds have TERs of more than 3 per cent, and in each size category where they are represented, they have higher TERs than either unit or investment trusts.

However, the good news, according to the survey, is that "offshore funds TERs, which have been extraordinarily high sometimes in the past, have declined significantly in recent years, and the popularity and cross-border marketing of these funds, as well as greater management consciousness of TERs, brings them down."

Nevertheless, investment trusts still appear to have significant cost advantages over the rival vehicles. Timberlake points out that it is uneconomic to launch an investment trust which is too small, given that a large proportion of the costs pertaining to a closed-end fund fall at the time of its formation.

"Whereas investment trusts cannot be launched unless they are reasonably economic, this is not the case for unit trusts and particularly for costly offshore funds, where investors are being forced to subsidise the diseconomies of scale in funds which should be either not launched or closed."

US research has indicated that funds with the lowest charges outperform over the longer term - after all, they have a head start. But investors need all the necessary information to be able to decide.

Timberlake thinks that "the declaration of a maximum TER policy should be encouraged or preferably made obligatory for management groups, especially for new funds."

معلومات الأصل

COMPANIES AND FINANCE

BASF steps up investment in Asia

By Jenny Lindeby in London

BASF, the German chemicals company, is to invest several billion D-Marks in giant chemical complexes in Malaysia and India modelled on the company town of Ludwigshafen, which lies at the centre of its operations in Germany.

and aims to double output from a 7km sq site to more than 5m tonnes a year of petrochemicals. The site is already home to 20,000 workers, seven schools and a hospital.

that will include a propane dehydrogenation plant. Over the next five years, the group plans to spend between \$5 and \$6 per cent of its DM30bn investment budget in Asia. It is committing DM5bn to the Chinese project. Most of the rest will go to Kuantan and Mangalore in India, said Mr Volker Trautz, director responsible for Asia.

follow the build-up in Malaysia, with BASF anticipating a huge slug of investment "right after the turn of the century", said Mr Trautz. With a neighbouring refinery, it plans to develop Mangalore as a petrochemical complex. However, it is already building plants to make dyes and other chemicals for the textiles and leather industries.

sales for higher-margin additives, such as plasticisers, that will still be produced in Germany. However, the group recently announced the closure of some of its textile and leather chemical operations at Ludwigshafen, and it has said it expects most of its sales growth to come from Asia.

Domestic property fund from Unibail

By Andrew Jack in Paris

Unibail, the French property group, has unveiled details of a new fund designed to invest up to FF50bn (\$9.7bn) in the domestic market, in a sign of renewed optimism about the sector's health.

INTERNATIONAL NEWS DIGEST RBC leads CS\$3bn Nav Canada loan

Royal Bank of Canada will lead a syndicate of Canadian and foreign banks to raise CS\$3bn (US\$2.15bn) for Nav Canada, a company formed to take over Canada's extensive air traffic control system. The financing is to meet Nav Canada's needs pending forthcoming bond issues. The three tranches of the bank credit line will have maturities between one and six years.

SGS ahead at operating level

A turnaround in the North American operations of Société Générale de Surveillance (SGS), the world's biggest international inspection and testing organisation, helped lift operating profit 22.5 per cent, to SF188.1m (\$109.7m), in the first six months of 1996. A drop in financial revenues and a higher tax charge reduced the growth in net profits to 10.9 per cent, to SF110.9m.

Swedish banks quiet on tie-up

Sweden's two most powerful banks, Svenska Handelsbanken and Skandinaviska Enskilda Banken, have declined to comment on a Swedish press report that they had held preliminary talks on a possible merger.

Mediaset surges to L497bn

First-half pre-tax profit at Italian media group Mediaset jumped 53 per cent to L497bn (\$326.1m). The figures are the first published by the company since its initial public offer and stock market listing in summer. Mediaset is part of the Fininvest group, controlled by former premier Mr Silvio Berlusconi.

Sanlam spells out international plans

By Hugo Dixon, recently in Cape Town

Sanlam, the South African mutual life insurance conglomerate, will consider whether to convert to a stock-market listed company in the next four years. Its chairman, Mr Martinus Dalting, said in an interview that such a move could accelerate its plans to become a more focused international financial services group.

vehicle for extending African economic power during apartheid. It now controls over 12 per cent of the companies listed on the Johannesburg SEB by market capitalisation. Because of its central role in the South African economy, demutualisation could hasten the transformation of the country's industry, which is noted for its elaborate cross-shareholdings and an inward-looking culture which developed under apartheid.

Mr Dalting said there was an "open debate" within Sanlam over whether to demutualise or not. But some executives and advisers believe its drive into international markets will push it in the direction of demutualisation. If it had a stock-market listing, it would find it easier to raise the capital for expansion and making acquisitions, they say. But without such capital, Sanlam's international growth will be slower.

Sanlam has already played a leading part in breaking up South Africa's conglomerates. Some three years ago it pushed Gencor - a mining, energy and paper conglomerate it controlled - to shed its non-mining activities. It is now unbundling Malbak, a consumer goods group in its sphere of influence.

hold, it would focus on building its financial services side (life insurance, banking, general insurance and venture capital) and expanding internationally. He said demutualisation was "not on the front-burner at the moment". The priority over the next two to three years was to get into shape to compete in global markets, by improving its information technology and productivity. After that, the topic would be revisited. See Lex

US approval for MS drug set to lift Teva

By Judy Dempsey in Jerusalem

Teva, Israel's largest pharmaceutical company, expects sales to rise at least 30 per cent over the next two years following the decision by the US Federal Food and Drug Administration to recommend the approval of Copaxone, its multiple sclerosis drug, according to Mr Dan Sueskind, chief financial officer. Total sales last year amounted to \$67m.

Teva's shares on Nasdaq closed down 3 1/4% at \$45 1/4 on Friday, after a 10 per cent rise the previous day following the FDA's decision. "It is clear that with this FDA recommendation, Teva, and indeed Israel, could become a significant player in the international pharmaceutical market," said Mr Jerry Treppel, of US securities house Dillon Read. He added that trials for Copaxone showed few negative side effects and it appeared to be more effective than its competitors. Analysts reckon Teva could capture 17 per cent of relapsing remitting multiple sclerosis patients which number 200,000 to 300,000 worldwide. This could boost Teva's sales by at least \$300m by 1998 and earnings per share from the current \$1.19 to \$2.40.

Maruti partners agree terms for fundraising

By Mark Nicholson in New Delhi

The board of Maruti, India's biggest carmaker, has finally agreed terms for a \$428m expansion to raise output by 100,000 vehicles a year, to \$50,000, and sustain its dominant share of the fast-growing passenger market. Final approval of the expansion had been delayed for almost a year by a disagreement between the Indian government and Suzuki, the Japanese carmaker, which are equal partners in the car company. Suzuki had sought an equity offering, a move resisted by the government because it was against any dilution of its stake.

an additional Rs2bn from a series of debt issues to finance the project. The expansion, which will include building a new paint shop, upgrading existing models, and adding engine manufacturing capacity, is expected to be completed by the end of 1996. Maruti said no recourse to debt would be necessary this fiscal year, ending in March, and that issues after then would depend on needs and market conditions. Mr R. C. Bhargava, managing director, said the company would look at making a global depositary receipt issue. Maruti reported after-tax profits of Rs24.5bn for 1995-96, a 64 per cent rise on Rs24.5bn a year earlier, on turnover of Rs68.7bn. The board recommended a dividend of 20 per cent, up from 15 per cent a year earlier.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

Table listing dividend and interest payments for various companies and bonds. Includes columns for company names, share classes, and payment dates.

UK COMPANIES

Table listing UK companies with their company meetings, board meetings, and other financial events.

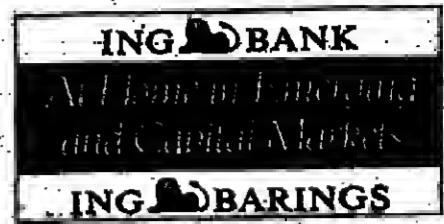
CREDITANSTALT advertisement featuring a stylized figure and text about financial services.

Fast Fills, Low Rates advertisement for City Index, offering spreads and market data.

GENCOR LIMITED advertisement for Coupon No 150, including details on share warrants and contact information.



FINANCIAL TIMES MARKETS THIS WEEK



Global Investor / Peter Martin

Japan's dawning of a new age

Next Friday, the Japanese parliament is due to make a formal announcement of an early general election, the first under the new electoral system designed to produce a stable two-party system. It is a sign of the fading hopes of reformers, however, that the mood is now hoped for is the re-emergence of an LDP majority government.

The mood of "business as usual" is especially marked for western investors. A sluggish recovery; a stock market which, in dollar terms, is no higher today than a year ago; big Japanese companies still struggling to escape the overcapacity of the bubble years - have all lessened the faith of even the most optimistic of western investors.

Most harmful of all, perhaps, is the damage to the image of Japanese economic, financial and business competence created by the mismanagement of the 1980s and early 1990s.

Moods of this sort are always exaggerated. There will be an inevitable reaction against the current pessimism. And when it comes, it will be reinforced by growing perceptions of an important change in Japanese economic fundamentals.

Historically, Japan's strength and weakness has been a much higher level of savings than in other developed economies. The strength was the way in which this pool of savings allowed the rapid expansion of the country's productive potential. The weakness was

that once the immediate opportunities for investment were exhausted, the high savings rate led to a substantial misallocation of resources.

The big change, already under way, is the long-term decline of the savings rate, which cuts across the experience in all other developed countries. This point is made in a recent paper by David Miles, professor of economics at Imperial College, London and an economist at Merrill Lynch.

In every other big developed economy, savings rates are about to rise by 2 percentage points or so as a proportion of gross domestic product in preparation for the retirement of ageing populations. In Japan it has happened. Says Prof Miles: "The

growth in the relative importance of the age cohorts who do most saving - roughly the 40 to 60 year olds - occurred over the past 20 years; over the next 20 years there is a net reduction in the importance of these age groups as more and more people move into retirement. As a result, the private sector saving rate in Japan is, all else equal, forecast to decline steadily from now on. By 2040 the private saving rate is about 4 percentage points below its 1995 level."

In other developed economies, the coming rise in savings as seen as a powerful motor for the equity market, ensuring that ageing baby-boomers pour money into it. In Japan, however, it is the reduction in savings rates that offers long-term hopes for the equity market.

Japan's recent economic stagnation is, after all, partly attributable to excessive private-sector saving. It has led to a current account surplus, trade tensions, periods of yen overvaluation, the transfer of production abroad, and a sharp rise in the government deficit as the only way of offsetting the contractionary effects of private-sector saving.

Pessimistic assumptions about Japan's economy over the next few decades depend on the belief that domestic growth will continue to be constrained by high private savings, which will hold down the rate of return on equity. This flow, it is argued, cannot find an easy outlet abroad because of host-

Total returns in 1996 (annual % change)

Country	1996	1995	1994	1993	1992
USA	11.1	11.8	11.8	11.8	11.8
UK	11.8	11.8	11.8	11.8	11.8
Germany	11.8	11.8	11.8	11.8	11.8
France	11.8	11.8	11.8	11.8	11.8
Japan	11.8	11.8	11.8	11.8	11.8

ility to Japanese capital exports and the caution of Japanese companies after the unhappy experiences in the 1980s acquiring glamorous foreign assets - such as "trophy" real estate and Hollywood studios. The lesson of the falling savings rate is that this problem may not be as bad as has been feared.

Japan still faces many short-term problems. As Nomura's lending write-offs

COMPANY RESULTS DUE

Reduced half-way loss at Alcatel

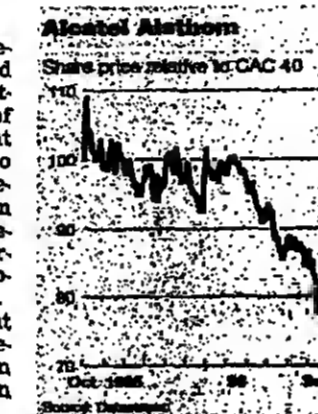
The French electronics group will on Thursday report a first-half net loss of between FF100m (\$19.65m) and FF774m, compared with a net loss of FF1.23bn. The improvement would be mostly because of falling restructuring charges, a smaller tax bill and lower amortisation, with the contribution of ongoing operations uncertain, it said.

Morgan Stanley analysts said they were looking for a first-half net loss of FF640m. "We derive a lot of this potential improvement from the expected absence of restructuring costs, lower

amortisation and a lower tax charge," they said. The contribution of ongoing operations to results is much less certain, notably from the company's flagship telecommunications business, analysts said.

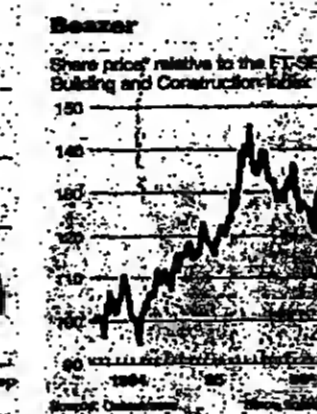
Alcatel Alsthom suggested in August that telecoms was improving, with orders in the division ahead by more than 20 per cent year-on-year in the first half, but some analysts were not convinced. "There is no doubt that orders were good, but billings were not great," said one. Group sales fell from FF178.31bn to FF174.34bn.

Telecom Italia: The Italian telecoms group is expected to announce a first-half pre-tax profit of L2,770bn compared with L2,850 a year before. Telecom Italia said it had not yet decided which day next week it would release its



weaker yen, which helps sales of Toyota cars. Brokers expect first-half pre-tax profits today of \$90m (\$83.3m).

Laura Ashley: Interim results from the fashion retailer are expected to produce pre-tax profits of \$24.5m, up from \$20m on Tuesday. Some analysts are pre-



dicting the reinstatement of the interim dividend.

Tarmac: The construction and building materials group reports interim results today. The figures will include about \$8.5m losses from the discontinued Tarmac Homes division. The group is expected to make a

\$50m-\$60m provision for the restructuring of the minerals and construction divisions and analysts will be looking for an indication of the cost savings arising. A final loss of about \$40m-\$50m, with a \$7m-\$20m pre-tax profit on continuing operations, compares with a \$15.5m loss last time, after exceptional gains of \$45m. The outlook for the UK quarry division, heavily dependent on road building, will also be required.

Chelsfield: Interim results from the property company chaired by Mr Elliott Bernard will be watched for news of progress on proposed developments at White City and Paddington, London's largest sites. The company is also awaiting the result of a public inquiry into its plans to extend Dudley Hill Shopping Centre in Mersey, West Midlands. Analysts are expect-

ing a modest advance in pre-tax profits from \$4.3m to \$4.7m and an increased interim dividend from 1.1p to 1.2p on Tuesday.

Barratt Developments: The housebuilder announces annual results on Wednesday and is expected to buck the trend by reporting a growth in pre-tax profits to about \$51m (\$47.1m). The group has benefited from the lower price of land bought several years ago feeding through. Thanks to its large exposure in the south, margins have been rising.

Beazer: Britain's third largest housebuilder will report full-year results on Thursday, likely to show pre-tax profits slipping from \$55.7m to \$46m. Like the rest of the sector, the group has run into problems with delays in the planning process and has been unable to

replace solid sites with new developments as quickly as it would like.

Redland: The building group which reports on Thursday, is set to show a slump in interim pre-tax profits from \$166m to about \$86m after being hit by poor weather and a weak market in Germany. The outlook for the second half is more positive, as the German market regains stability and the upturn in the UK continues.

Guinness: The brewer is expected to report on Thursday a rise of about 3 per cent in interim pre-tax profits to \$550m. Beer will save Guinness from backsliding, with operating profits up from \$113m to \$122m. The UK and Irish markets are strong, while Spain is struggling. Operating profits from spirits will slip from \$257m to \$250m.

How to earn dollars in Istanbul?

US\$1,250,000,000 Floating Rate Notes due 1998

Pursuant to paragraph 3(d) Redemption at the Option of the Bank of the Terms and Conditions of the Notes, notice is hereby given that the Bank will redeem at par, on the next interest Payment Date, October 31, 1996, all the Notes remaining outstanding (i.e. US\$1,000,000,000).

Payment of interest due on October 31, 1996 and reimbursement of principal will be made in accordance with the Terms and Conditions of the Notes.

Interest will cease to accrue on the Notes as from October 31, 1996.

Luxembourg, September 23, 1996

KSL The Fiscal Agent
Kreditbank Luxembourg

NOTICE OF EARLY REDEMPTION

Crédit Lyonnais

US\$1,250,000,000 Floating Rate Notes due 1998

Pursuant to paragraph 3(d) Redemption at the Option of the Bank of the Terms and Conditions of the Notes, notice is hereby given that the Bank will redeem at par, on the next interest Payment Date, October 31, 1996, all the Notes remaining outstanding (i.e. US\$1,000,000,000).

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Luxembourg, September 23, 1996

KSL The Fiscal Agent
Kreditbank Luxembourg

CITICORP

U.S. \$250,000,000 Floating Rate Notes Due September 2000

Notice is hereby given that the Rate of Interest for the interest period September 23, 1996 to December 23, 1996 has been fixed at 2.75% and that the interest payable on the relevant Interest Payment Date December 23, 1996, against Coupon No. 6 will be US\$72.99 in respect of US\$50,000 nominal of the Notes, and US\$1,457.79 in respect of US\$100,000 of the Notes.

September 23, 1996, London

By: Citibank, N.A. (Corporate Agency & Trust), Agent Bank **CITIBANK**

A/S Elspartners

Incorporated in the Kingdom of Norway with limited liability

US\$100,000,000 Senior/Subordinated Notes due 2002

Notice is hereby given that the Rate of Interest has been fixed at 5.625% and that the interest payable on the relevant Interest Payment Date March 24, 1997 against Coupon No. 8 in respect of \$1,000 Nominal of the Notes will be \$287.53 and in respect of \$10,000 Nominal of the Notes will be \$2,875.25.

September 23, 1996, London

By: Citibank, N.A. (Corporate Agency & Trust), Agent Bank **CITIBANK**

ADELAIDE BANK LTD

US\$150,000,000 Floating Rate Notes due 1998

For the three months from 23rd September 1996 to 22nd December 1996 inclusive the Notes will carry an interest rate of 5.525% per annum.

Interest amount per \$100,000 will be US\$149.77, payable on 23rd December 1996.

AGENT BANK: BARCLAYS BANK PLC, BANK OF MONTREAL SERVICES, HANG SENG COURT, THROCKMORTON STREET, LONDON EC2R 7HT

BARCLAYS

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuarial World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries, NatWest Securities Ltd, was a co-founder of the indices.

NATIONAL MARKETS	FRIDAY SEPTEMBER 20 1996		THURSDAY SEPTEMBER 19 1996		DOLLAR INDEX
	US	Local	US	Local	
Australia (75)	222.28	6.5	182.24	140.39	109.79
Canada (117)	104.42	15.5	100.37	118.50	101.50
France (89)	177.78	6.4	166.48	132.59	102.12
Germany (99)	177.78	6.4	166.48	132.59	102.12
Italy (61)	207.09	1.7	197.36	148.64	101.22
Japan (107)	207.09	1.7	197.36	148.64	101.22
UK (107)	207.09	1.7	197.36	148.64	101.22
USA (25)	207.09	1.7	197.36	148.64	101.22

THE STARS PROGRAMME

STARS 1 PLC

2475,000,000 Class A Floating Rate Mortgage Backed Securities 2029

Notice is hereby given that the Principal outstanding on the subject for the interest period September 27, 1996 to December 27, 1996 will be \$172,471,250.00.

The Principal amount outstanding for each note is \$5,999.00.

September 23, 1996, London

By: Citibank, N.A. (Corporate Agency & Trust), Agent Bank **CITIBANK**

SIGMA SECURITIES S. A. - MEMBER OF THE ATHENS STOCK EXCHANGE

TEL: (301) 3311468 - 8245674
FAX: (301) 3322241 - TEL EX 210733 ATRA GR
Contact Name: Mr John Marzopoulos/Mrs Athina Dessyri

ATHENS STOCK EXCHANGE Sep 16th - Sep 20th 1996		GREECE	
ASE INDEX	303.94	P/E (after tax) 90x/95	11.5/12.8
% Chg (9/16)	6.67	EPS GROWTH (%) 96	10.7
Weekly Hg	1028.02	P/E 90x/95 P/E GROWTH (%) 96	1.07
Weekly Lw	870.25	P/E 90x/95 P/E GROWTH (%) 96	1.13
Weekly Vol (USD m)	206.74	Div. Yield (%) 90x/95	2.5/2.9
% Chg (Pwr. Wk)	17.24	Div. Yield (%) 90x/95	6.0/4.4
1 Yr. Avg. (USD m)	181.89		

Midland Bank plc

US\$500,000,000 Undated Floating Rate Primary Capital Notes

The Rate of Interest has been fixed at 6.0625% p.a. The Interest payable on the relevant Interest Payment Date March 24, 1997 against Coupon No. 23 in respect of US\$10,000 nominal of the Notes will be US\$305.45.

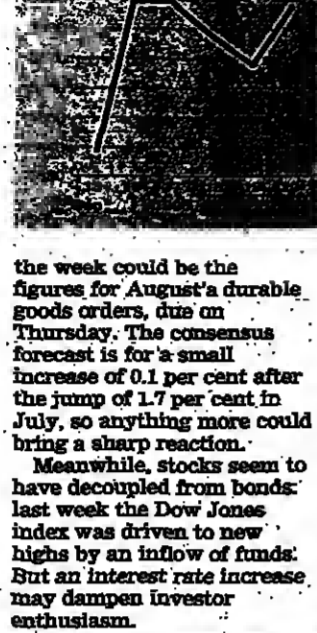
Citibank, N.A. (Issuer Services), Agent Bank
September 23, 1996

MARKETS: This Week

There is little doubt the focus of attention for the US stock and bond markets this week will be Tuesday's FOMC meeting to decide whether to push up interest rates...



The second half started with Mr Alan Greenspan, the Federal Reserve chairman, forecasting a slowdown in economic activity. Some statistics have supported that prediction...



Two monetary meetings will set the agenda for the UK market this week. The first involves Mr Kenneth Clarke, the Chancellor, and Mr Eddie George, the Governor of the Bank of England...



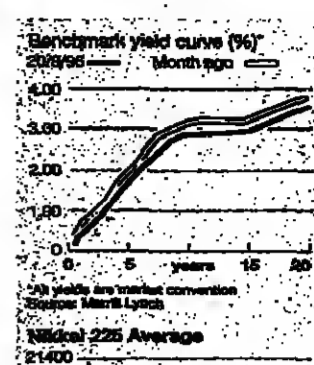
The consensus is that there will be no change in UK rates. Many assumed that the Chancellor would want to cut rates before the General Election, but the recent run of strong economic data makes this look a highly risky strategy...

German equities and bonds continued their strong rise last week amid continued expectations of an inflation-free recovery. The DAX index reached a record 2,646 at the end of official trading on Friday...



A rise in the US would be interpreted as marking an end to a long period of low and falling interest rates, and would have a strong impact on expectations. Some German commentators are also getting nervous about the domestic economy...

The Bank of Japan's confirmation last week that it will maintain low short-term interest rates encouraged buying among bond market participants. The positive sentiment is likely to continue.



Cautiousness over a rise in US interest rates has started to spread, but economists do not expect a possible tightening in monetary policy in the US to affect interest rate policy in Japan. Economic data released this week are likely to provide a clearer picture of consumption in August...

Chain store and retail sales are likely to be weak after the bacteria scare, says Merrill Lynch in Tokyo, but the effects are expected to be temporary, and underlying consumption is still on an upward trend...

Tin producers study market

The state of the world tin market will be discussed this week at a two-day meeting of the Association of Tin Producing Countries beginning in Singapore today. Among the proposals the ministers will be considering is one for a further year's extension to the suspension of the group's export quota system...

was forced to give up the effort. That resulted in its substantial buffer stock holdings becoming available to the market, a collapse in prices, and the protracted suspension of tin trading on the London Metal Exchange. The ATPC's export quota scheme was designed progressively to reduce the stocks overhauling the market so that returns could go back to a remunerative level for the producers who had not been driven out of the tin business by the 1995 price collapse...

export restrictions. Quotas have been suspended for several years, without, it must be said, resulting in any substantial build-up in stocks or retreat in prices - beyond that suffered throughout the base metals sector, at any rate. Other events this week include the two-day Mining Engineers Convention that started yesterday in Arizone, Peru...

MILAN

Further developments in the Olivetti saga will continue to preoccupy the market, after last week's fast moving corporate manoeuvres which prompted violent swings in the share price. Fiat will also remain under close scrutiny after Thursday's first-half results and ahead of the shareholders' meeting on Thursday...

PARIS

Broker number-crunching on the budget deficit, the currency markets, and a continued flow of heavyweight interim results look the most likely domestic starting points for the Paris stock market this week. The market reacted calmly to last Wednesday's budget, which contained no unexpected shocks and allowed the Bank of France to trim its intervention rates...

the longer-term outlook, writes Louise Lucas. However, any rise in US interest rates, which stands to be imported to Hong Kong via the currency peg, would be a blow to the banking and property sectors. Salomon Brothers, which is recommending banks and telecoms stocks in particular, reckons the upside potential for the market in the coming year will range between 10 and 15 per cent, broadly in line with anticipated earnings growth...

MADRID

The focal point in Madrid will be the Spanish budget on Friday. There is likely to be a generous health care package, but the overall deficit target looks set to emerge at about 8 per cent. None of this threatens to shake the bourse out of its narrow trading range in the corporate sector, the main focus looks to be possible details on the placing of the government's 3 per cent stake in Gas Natural...

HONG KONG

While a note of caution may creep into Hong Kong this week ahead of the US Federal Reserve policy meeting, brokers remain bullish on the group's ambitious bid for the Thomson group. The benchmark Hang Seng Index ended last week just 5 per cent short of its all-time high of 12,201.

All eyes on Federal Reserve committee meeting

Tomorrow's meeting of the Federal Open Markets Committee will dominate the currency markets this week, on expectations of a rise in US interest rates. The monetary policy committee last changed its Federal funds and discount rates at January's meeting, cutting both 25 basis points. The Fed funds rate is now 5.25 per cent, and the discount rate 5 per cent.

Opinions vary over the likelihood of increases tomorrow. Some market participants argue that a rise now, so close to the US election in November, risks putting an abrupt stop to Wall Street's bull run. Others argue that the fundamentals of the US economy, especially wages, show signs of overheating, and could soon fuel increased inflation. But even those

who think the FOMC will be restrained by the proximity of the election agree that rates will be increased later rather than sooner. Assuming the Fed does raise rates, which other currencies would be affected? If, as appears to be the case, an eventual 25 basis point rise has been discounted by the markets, then only a rise bigger than that would move the dollar.

Recent research by Consensus Economics in London examined the correlation of movements between currencies. Against a basket of other currencies - the dollar, the D-Mark, the yen, sterling and the French franc - they measured the movements in G7 member countries' currencies against the dollar's movements. The currency most synchronised was the Canadian dollar, with a rating of 0.89 (where a value of 1 represents two currencies moving together, and zero represents no relationship between the currencies).

The Italian lira, with 0.70, and sterling with 0.66 both recorded strong correlations, whereas the yen and the D-Mark showed negative reactions, meaning they were more likely to weaken if the dollar strengthened.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, September 20, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates, except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Table with columns for Country, Currency, US \$, D-Mark, Yen, and other exchange rates. Includes entries for Africa, Asia, Europe, Middle East, and Oceania.

CROSS BORDER M&A DEALS

Table with columns: Bidder/Investor, Target, Sector, Value, Comment. Lists deals such as Service Corporation International (US) acquiring Lower Group (Canada), Allied Waste Inc (US) acquiring Unit of Laidlaw (Canada), etc.

REXEL REPORTS A 10 PERCENT INCREASE IN NET INCOME GROUP SHARE. Includes text about Rexel's performance in 1995, its expansion in France, and its financial results.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, share price, and change.

BANKS, MERCHANT

Table listing companies in the Banks, Merchant sector with columns for company name, share price, and change.

BANKS, RETAIL

Table listing companies in the Banks, Retail sector with columns for company name, share price, and change.

BREWERS

Table listing companies in the Brewers sector with columns for company name, share price, and change.

PUBS & REST

Table listing companies in the Pubs & Rest sector with columns for company name, share price, and change.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector with columns for company name, share price, and change.

BUILDING MATS. & MERCHANTS

Table listing companies in the Building Mats. & Merchants sector with columns for company name, share price, and change.

CHEMICALS

Table listing companies in the Chemicals sector with columns for company name, share price, and change.

CHEMICALS - Cont.

Continuation of Chemicals sector table.

DISTRIBUTORS

Table listing companies in the Distributors sector with columns for company name, share price, and change.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector with columns for company name, share price, and change.

ELECTRICITY

Table listing companies in the Electricity sector with columns for company name, share price, and change.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Eqpt sector with columns for company name, share price, and change.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector with columns for company name, share price, and change.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector with columns for company name, share price, and change.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector with columns for company name, share price, and change.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of Electronic & Electrical Eqpt sector table.

ENGINEERING

Table listing companies in the Engineering sector with columns for company name, share price, and change.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

FOOD PRODUCERS

Table listing companies in the Food Producers sector with columns for company name, share price, and change.

ENGINEERING - Cont.

Continuation of Engineering sector table.

FOOD PRODUCERS - Cont.

Continuation of Food Producers sector table.

GAS DISTRIBUTION

Table listing companies in the Gas Distribution sector with columns for company name, share price, and change.

HEALTH CARE

Table listing companies in the Health Care sector with columns for company name, share price, and change.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods sector table.

INSURANCE

Table listing companies in the Insurance sector with columns for company name, share price, and change.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector with columns for company name, share price, and change.

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HOUSEHOLD GOODS - Cont.

Continuation of Household Goods sector table.

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INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

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Advertisement for Pinnacle hire and fleet management, featuring a mountain logo and contact information for ACL.

مكتبات العرب

LONDON SHARE SERVICE

معلومات العمل

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for Name, Price, Dividend, and other financial metrics.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, Dividend, and other financial metrics.

INVESTMENT COMPANIES

Table listing investment companies with columns for Name, Price, Dividend, and other financial metrics.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for Name, Price, Dividend, and other financial metrics.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies (continued).

LIFE ASSURANCE

Table listing life assurance companies with columns for Name, Price, Dividend, and other financial metrics.

MEDIA

Table listing media companies with columns for Name, Price, Dividend, and other financial metrics.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for Name, Price, Dividend, and other financial metrics.

OIL INTEGRATED

Table listing oil integrated companies with columns for Name, Price, Dividend, and other financial metrics.

OTHER FINANCIAL

Table listing other financial companies with columns for Name, Price, Dividend, and other financial metrics.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for Name, Price, Dividend, and other financial metrics.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for Name, Price, Dividend, and other financial metrics.

PROPERTY

Table listing property companies with columns for Name, Price, Dividend, and other financial metrics.

PROPERTY - Cont.

Table listing property companies (continued).

SUPPORT SERVICES

Table listing support services companies with columns for Name, Price, Dividend, and other financial metrics.

PROPERTY - Cont.

RETAILERS, FOOD

Table listing retailers and food companies with columns for Name, Price, Dividend, and other financial metrics.

RETAILERS, GENERAL

Table listing general retailers with columns for Name, Price, Dividend, and other financial metrics.

PROPERTY - Cont.

Table listing property companies (continued).

SUPPORT SERVICES

Table listing support services companies (continued).

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for Name, Price, Dividend, and other financial metrics.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for Name, Price, Dividend, and other financial metrics.

TOBACCO

Table listing tobacco companies with columns for Name, Price, Dividend, and other financial metrics.

TRANSPORT

Table listing transport companies with columns for Name, Price, Dividend, and other financial metrics.

WATER

Table listing water companies with columns for Name, Price, Dividend, and other financial metrics.

AIM

Table listing companies on the Alternative Investment Market (AIM) with columns for Name, Price, Dividend, and other financial metrics.

AIM - Cont.

Table listing AIM companies (continued).

AMERICANS

Table listing American companies with columns for Name, Price, Dividend, and other financial metrics.

CANADIANS

Table listing Canadian companies with columns for Name, Price, Dividend, and other financial metrics.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, Dividend, and other financial metrics.

GUIDE TO LONDON SHARE SERVICE

Guide to London Share Service: Prices for the London Share Service delivered by Easys, part of Financial Times Information. Contains instructions on how to use the service and interpret the data.

Advertisement for Stoves PLC: 'FLEXIBILITY IS KEY TO OUR SUCCESS. THE WILLINGNESS OF OUR WORKFORCE TO EMBRACE NEW WAYS OF FLEXIBLE WORKING HAS BEEN INVALUABLE.' Includes contact number 0800 22 0151 and website information.

FT Share Service: The following changes have been made to the FT Share Information Service. FT Free Annual Reports Service: You can obtain the current annual report of any company associated with FT. FT Company Focus / Focus Plus: Comprehensive 10-18 page report available on this company, containing key news stories from the last year.

FT MANAGED FUNDS SERVICE

Offshore Funds

FT Cityline Unit Trust Prospect 0091 430010 and key in a 5 digit code listed below. Calls are charged at 50p/minute cheap rate and 40p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing various offshore funds under the Bermuda (SIB RECOGNISED) category, including fund names, ISIN codes, and performance metrics.

BERMUDA (REGULATED)

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GUERNSEY (SIB RECOGNISED)

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IRELAND (SIB RECOGNISED)

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GUERNSEY (SIB RECOGNISED)

Table listing various offshore funds under the Guernsey (SIB RECOGNISED) category, including fund names, ISIN codes, and performance metrics.

Advertisement for IMD executive programs, featuring the text 'IMD executive programs have one of the best P/E ratios. You might find it your best investment yet. Send for your Program Portfolio today' and the IMD logo.

Advertisement for IMD Real World Learning, featuring the text 'Real World Learning' and the IMD logo.

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FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices: deal 0891 480010 and key in a 5 digit code listed below. Calls are charged at 38p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4878.

Main table containing financial data for various fund categories including Worldwid (Merrill Lynch), LUXEMBOURG (SIB RECOGNISED), and Offshore Funds and Insurances. The table lists numerous fund names, their respective managers, and key financial metrics.

LUXEMBOURG (SIB RECOGNISED)

Sub-table listing LUXEMBOURG (SIB RECOGNISED) funds, including names like Worldwid (Merrill Lynch) and various international funds.

Offshore Funds and Insurances

Sub-table listing Offshore Funds and Insurances, including names like Worldwid (Merrill Lynch) and various international funds.

Worldwid (Merrill Lynch)

Sub-table listing Worldwid (Merrill Lynch) funds, including names like Worldwid (Merrill Lynch) and various international funds.

Merrill Lynch Asset Management - Global

Sub-table listing Merrill Lynch Asset Management - Global funds, including names like Merrill Lynch Asset Management - Global and various international funds.

Global Funds

Sub-table listing Global Funds, including names like Global Funds and various international funds.

Equity Funds

Sub-table listing Equity Funds, including names like Equity Funds and various international funds.

Bond Funds

Sub-table listing Bond Funds, including names like Bond Funds and various international funds.

Money Market Funds

Sub-table listing Money Market Funds, including names like Money Market Funds and various international funds.

Life Insurance

Sub-table listing Life Insurance, including names like Life Insurance and various international funds.

LUXEMBOURG (REGULATED)

Sub-table listing LUXEMBOURG (REGULATED) funds, including names like LUXEMBOURG (REGULATED) and various international funds.

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Main table listing various FT Managed Funds with columns for Fund Name, ISIN, and other identifiers. Includes sub-sections for 'OTHER OFFSHORE FUNDS' and 'MANAGED FUNDS NOTES'.

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MANAGED FUNDS NOTES: This fund is managed by... The fund manager is... The fund is... (Detailed notes regarding fund management and performance.)

Handwritten signature or mark at the bottom of the page.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (Sep 20 / Sep)
Table listing stock prices for various European markets including Germany, France, Italy, and the UK.

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INDICES
Table showing major stock indices such as Dow Jones, Nikkei, and others.

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WEEK FUTURES
Table showing weekly futures contracts for various commodities.

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Small print text at the bottom of the page containing legal disclaimers and publication information.

NEW YORK STOCK EXCHANGE PRICES

4 pm close September 20

Table of stock prices for companies starting with 'A' through 'M'. Columns include company name, price, and change.

Table of stock prices for companies starting with 'N' through 'S'. Columns include company name, price, and change.

Table of stock prices for companies starting with 'T' through 'W'. Columns include company name, price, and change.

Table of stock prices for companies starting with 'X' through 'Z'. Columns include company name, price, and change.

Table of stock prices for companies starting with 'A' through 'M'. Columns include company name, price, and change.

Table of stock prices for companies starting with 'N' through 'S'. Columns include company name, price, and change.

Advertisement for Hewlett-Packard featuring a computer monitor and the text 'Market Dynamics. If the business decisions are yours, the computer system should be ours.'

Table of stock prices for companies starting with 'T' through 'W'. Columns include company name, price, and change.

Table of stock prices for companies starting with 'X' through 'Z'. Columns include company name, price, and change.

Table of stock prices for companies starting with 'A' through 'M'. Columns include company name, price, and change.

Table of stock prices for companies starting with 'N' through 'S'. Columns include company name, price, and change.

Table of stock prices for companies starting with 'T' through 'W'. Columns include company name, price, and change.

Continued on next page

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections for 'Continued from previous page' and 'AMERX PRICES'.

Main table of NYSE stock prices with columns for stock name, price, and change. Includes sub-sections for 'AMERX PRICES' and 'AMERX PRICES'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices with columns for stock name, price, and change.

Table of NASDAQ National Market stock prices with columns for stock name, price, and change.

AMERX PRICES

Table of AMERX stock prices with columns for stock name, price, and change.

Advertisement for 'Belgium' featuring the text 'Have your FT hand delivered in Belgium' and 'Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.'

Table of AMERX stock prices with columns for stock name, price, and change.

FT GUIDE TO THE WEEK

MONDAY 23

Focus on Chechnya

The Council of Europe parliamentary assembly discusses the conflict in Chechnya. Whether Russian or Chechen representatives will attend remains unclear...

BA appeals over damages

The French Appeal Court begins hearing an appeal by British Airways against a ruling last year ordering it to pay damages to 61 French passengers who were on a BA flight trapped in Kuwait by the Iraqi invasion...

ILO reviews farm workers

The plight of the world's half-a-million agricultural wage workers will be reviewed by governments, employers and trade unions at a one-week meeting in Geneva...

Adams launches book

Gerry Adams, the president of Sinn Féin, the political wing of the IRA, launches his autobiography - for which a press conference at the House of Commons, booked by Jeremy Corbyn...

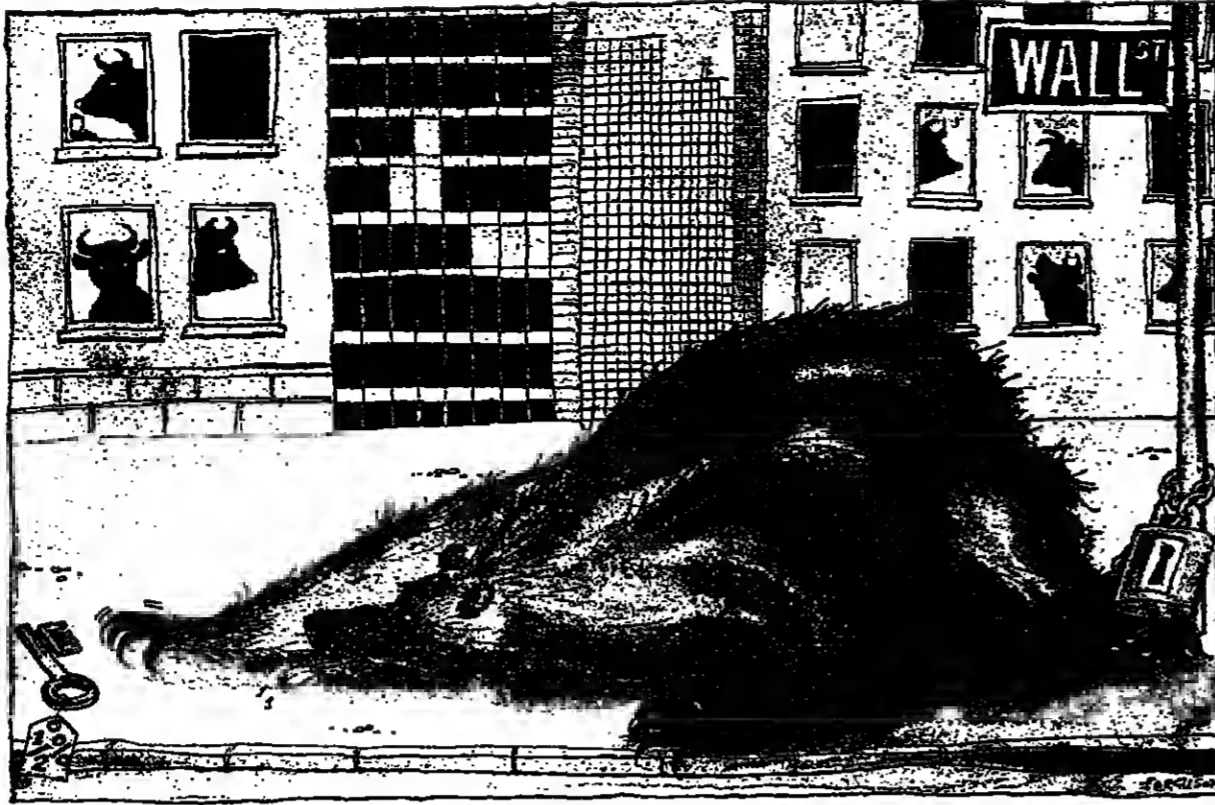
Public holidays

Israel, Japan, Netherlands Antilles, New Caledonia.

TUESDAY 24

Fed decision on rates

The US Federal Reserve meets to discuss the monetary outlook, with analysts in the financial markets split. Some expect the Fed to signal a quarter-point increase...



On Tuesday, the US Federal Reserve meets amid speculation it may raise interest rates in view of strong recent economic figures

presidents favour an increase. Strong recent figures on employment, production and housing have also increased pressure on Alan Greenspan, the Fed chairman, to take decisive action.

Netanyahu in Europe

Benjamin Netanyahu, the Israeli prime minister, starts a four-day trip to London, Paris and Bonn. The talks with John Major, the British prime minister, Jacques Chirac, the French president, and Helmut Kohl, the German chancellor, will focus on how the peace process can be revived and advanced...

Nuclear test ban treaty

The comprehensive nuclear test ban treaty will be opened for signature at the UN in New York. Bill Clinton, the US president, will be the first signatory, followed by representatives of the four other main nuclear powers and 11 countries with nuclear potential...

EU company statute

EU social affairs ministers meeting in Brussels will renew discussions on information and consultation of workers in large companies, in an attempt to revive long-delayed proposals for a European Company Statute...

Lien Chan in parliament

Lien Chan, Taiwan's premier, delivers an address to the Yuan, or parliament, amid continuing controversy over his appointment to the post. The speech has been delayed by opposition accusations that it is unconstitutional for Mr Lien, who was elected Taiwan's vice-president in March, to serve concurrently as premier.

FT Survey

Business Books (UK only).

Public holidays

Dominican Republic, New Caledonia, South Africa, Spain (Barcelona only), Trinidad.

WEDNESDAY 25

Nato in Bosnia review

A two-day informal meeting of Nato defence ministers in Bergen, Norway, will focus on future military options in Bosnia after the termination in December of the alliance's peace-keeping mandate. A wide-ranging reform of Nato's command structure, designed to accommodate France and possible new members in central Europe, will be on the agenda...

Globalisation speeds up

The accelerating pace of company globalisation is documented in the World Investment Report 1996, published by the Geneva-based United Nations Conference on Trade and Development. A surge in foreign direct investment last year reflected an exceptional number of mergers and acquisitions in the US and Europe...

SNP conference starts

Britain's Scottish National party, led by Alex Salmond, opens its annual conference in Inverness at which it is likely to reiterate its campaign for devolution (to Sept 28). It will outline the economic advantages which would accrue to an independent Scotland...

Athletics

IAAF grand prix, Milan.

Equestrianism

Horse of the Year Show, Wembley, London (to Sept 29).

Public holiday

Mozambique.

THURSDAY 26

EU discusses sex trade

Abuse of women and children by the sex trade - a subject highlighted by recent events in Belgium - will be at the forefront of a two-day informal meeting of EU justice and home affairs ministers in Dublin. Consideration will be given to a paper put forward on the problem by Belgium and also to whether the remit of Europol, the embryonic Europe-wide police force, should be extended to cover "trafficking" in women and children.

Strike in Argentina

Argentine unions begin a 36-hour general strike in protest at the government's economic policy and, in particular, a new austerity package. Unions are also angered at plans to make the labour market more flexible and to deregulate union-run social security schemes. A similar strike last month virtually paralysed the country - showing the public had lost patience with recent unemployment and a sluggish economy.

Election debate in NZ

Jim Bolger, the New Zealand prime minister, will be hoping to pick up support in a televised leaders' debate which is expected to set the scene for the October 12 general election. The election will be the first under the German-style proportional system, which means that New Zealand is virtually certain to have a coalition government.

Gambian voters go to polls

The west African state of Gambia, a former British colony, is to hold presidential elections in which the military leader who seized power four years ago is a strong contender. Yahya Jammeh, 31, who retired from the army last month, has predicted a landslide victory for himself over three civilian challengers. His main rival is Ousainou Darboe, of the United Democratic Party (UDP). However, amid violence in the run-up to the elections, the UDP was reported last week to be ignorant of the whereabouts of its leader.

FT Surveys

The Chemicals Industry; UK Rail Privatisation.

Public holidays

South Korea, Sri Lanka.

FRIDAY 27

Japan election countdown

Ryutaro Hashimoto, the Japanese prime minister, convenes a special session of parliament in order to start the constitutional clock for a general election - which is likely to be on October 20. The parliament, or Diet, will be dissolved on the same day and members of parliament will rush to the hustings for a short and intense election campaign. The signs are that the ruling Liberal Democratic party will strengthen its grip on power and form another coalition.

FT Surveys

Business Parks; World Economy.

Public holidays

Ethiopia, South Korea, Taiwan.

SATURDAY 28

Marathon to Sparta

Runners from around the world compete in the Spartathlon, a non-stop 153-mile race from Athens to Sparta over a mountainous course taken by the ancient courier Pheidippides in 490 B.C. Pheidippides was carrying Athens' request for Spartan assistance to combat Persian invaders. Top-ranked competitors should finish within 24 hours.

Public holidays

Hong Kong, Israel, Macau, South Korea, Taiwan, Turks/Caicos Islands.

SUNDAY 29

Labour annual conference

The British opposition Labour party opens its annual conference in Blackpool (to Oct 4). The impressive display of unity last year - when the leadership under Tony Blair did not lose a single conference vote - is unlikely to be achieved. Some trade unionists are determined to register their anger at the leadership's recent moves to distance the party further from its union roots. Dissenters are expected to focus on issues such as the minimum wage and the proposed abolition of child benefit after the age of 16. However, the imminence of the general election may persuade many potential rebels to toe the line.

Sailing

Start of the BT Global Challenge, Southampton, England.

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194.

Other economic news

Monday: The UK chancellor and governor of the Bank of England meet for their monthly monetary meeting to discuss interest rate policy.

Tuesday: Confirmation is expected that UK gross domestic product grew 0.4 per cent in the second quarter of this year. The UK's current account is expected to have narrowed in the second quarter. The US FOMC meets to discuss US economic activity and interest rates. Data is expected to show US consumer confidence remains upbeat.

Wednesday: The International Monetary Fund published its latest World Economic Outlook. The level of US home sales is forecast to have fallen last month.

Thursday: The UK's trade gap is expected to have narrowed in July. US durable goods are forecast to have fallen last month.

Friday: German import price and producer price figures due this week are expected to show that inflationary pressures remained subdued last month. However, consumer price inflation is forecast to have moved higher this month.

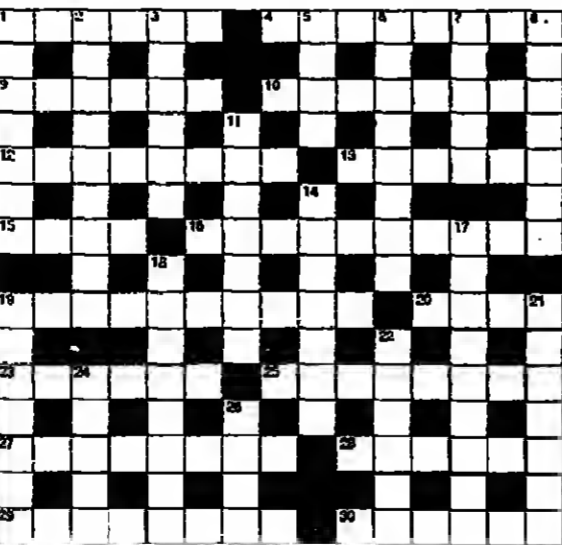
Table with columns: Day Released, Country, Economic Statistic, Median Forecast, Previous Actual, Day Released, Country, Economic Statistic, Median Forecast, Previous Actual. Includes data for Canada, Japan, France, UK, Germany, and others.

ACROSS

- 1 Searches thoroughly and flushes out (10)
4 Group of men in pursuit of a mate (5,7)
9 Deserving a reprimand (6)
10 Cause of cracks, TV and pruss are brought in to examine (8)
12 Choose a road leading to rocky-foot food (4,7)
13 Doesn't sound it, but it's hot (6)
15 It used to be very painful (4)
16 Calling for a military take-over (10)
19 Forgiveness for a second-rate actress (10)
20 Tighten the spring - it's a means of propulsion (11)
23 Washington perhaps gives me back about £35 (6)
25 They're drunk, but name (8)
27 Divorced ladies to be treated differently (8)
28 The clergy have point in dress (10)
29 Rise drunkenly to get Heather some wine (8)
30 Fool Ulster tense (10)

DOWN

- 1 Cloud cover begins to lift, admitting the sun at the centre (7)
2 Fringes for old-fashioned garments (8)
3 Split a pound in payment for use of telephone (8)
5 Warning sound not given by the careless (6)
6 Show foresight before deciding which school to select (3,3)
7 Calm retreat (5)
8 Rigidity of stone in construction (7)
11 Lack of numbers means I am included in a pay cut, perhaps (7)
14 Indulge one's moods (7)
17 Meat dish rises with cooking (5,4)
18 Co-operate to meet the delivery (4,4)
19 A row outside the Spanish workshop (7)
21 Refuse to agree to a climb-down, but hear (7)
22 I follow uncle around the centres (6)
24 Snooze - head drops; rest could be a tonic (5)
26 Intend to get tight (11)



MONDAY PRIZE CROSSWORD

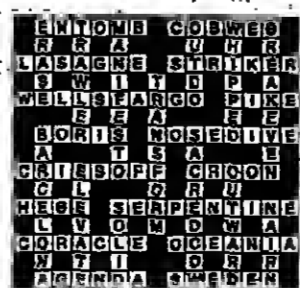
No.9,180 Set by DANTE

A prize of a Pelikan New Classic 280 fountain pen for the first correct solution opened and five runner-up prizes of £20 Pelikan vouchers will be awarded. Solutions by Thursday October 3, marked Monday Crossword 9,180 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9EL. Solution on Monday October 7. Please allow 28 days for delivery of prizes.

Name: _____ Address: _____

Winners 9,168. Solution 9,168.

Mrs J. Burmester, Downend, Bristol
Shirley Anderson, Langside, Glasgow
E.W. Knowlwell, Harrow, Middlesex
W.R. Lees, Canterbury, Kent
James McQuibban, Guildford, Surrey
E.C. Stowe, Exmouth, Devon



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